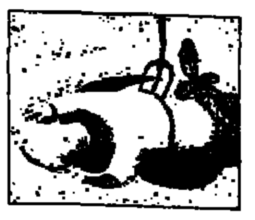
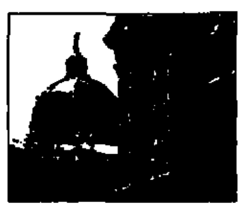
FINANCIAL TIMES

World Business Newspaper http://www.FT.com FRIDAY JULY 3 1998



FT Weekend tomorrow
The holy terroir: France's top chefs are at war



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HOW TO SPEND IT
COLOUR MAGAZINE

Plaintive peals, hotel deals, kitten heels
with tomorrow's Weekend FT

Swiss warn of trade war over 'Nazi gold' sanctions

By John Authers in New York and Richard Wolffe in Washington

The Swiss government warned yesterday that the decision by US state and city officials to impose sanctions on Swiss firms over the Nazi gold issue could damage US-Swiss relations and start an international trade dispute.

It made its announcement as the comptrollers of New York city and state said they would ask their pension funds - among the largest in the US - to consider total divestment of shares in all Swiss companies if a settlement *to the issue of looted gold was* not reached.

They made clear that this could include Swiss industrial companies, not just the nation's banks, and that their object was to persuade the Swiss government and national bank to join in a settlement.

The sanctions were taken despite strong opposition from the US state department, which believes they will prove counterproductive.

The Swiss Federal Council (cabinet) said it would support Swiss companies that took legal steps against US sanctions. It was considering other measures, especially the possibility of filing a complaint to the World Trade Organisation.

It said: "These kinds of sanc*tions are counterproductive*, unjustified and illegal. They constitute a danger to the good bilateral relations between Switzerland and the United States."

The US government urged both sides to return to the negotiating table and postpone any action. It took encouragement from the announcement by politicians in New York that their sanctions would not start until September, although other states and cities may take action before that.

The state department was yesterday talking to both the Swiss government and the US local officials behind the sanctions, in an attempt to stop the dispute from escalating.

Stuart Eizenstat, under-secretary of state, also called on the Swiss government and the Swiss *National Bank to reconsider* their positions over a global settlement. He urged the Swiss central bank to "reflect" on the report of the Bergier commission of historians, establishing that the bank handled far more looted gold than thought. He said: "We hope that careful consideration can provide breathing space to encourage the parties to resume talks aimed at a settlement as soon as possible in a non-coercive atmosphere."

UBS and Credit Suisse, the two commercial banks that have been sued in the US, had already said that they believed sanctions to be unconstitutional and illegal, and that they were considering all their options. These might include legal action or withdrawing the $600m settlement offer to *the World Jewish Congress and* lawyers for Holocaust survivors.

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UBS chairman cleared, Page 15

Nigeria ready to free detained poll victor says Annan

By Michael Holman, *Africa Editor*

Nigeria's military regime has agreed to release Moshood Abiola, detained winner of the country's 1993 presidential elections, Kofi Annan, the United Nations secretary-general, said yesterday.

The decision, which follows talks between Mr Annan, Emeka Anyaoku, the Commonwealth secretary-general, and Abdulsalam Abubakar, Nigeria's military *leader, would remove one of the* main obstacles to the restoration of democracy in Nigeria.

"All political detainees will be released and the government will make an announcement at the appropriate time," Mr Annan said.

But the terms of Mr Abiola's release – which could determine whether his freedom acts as a force for reconciliation or increases political tension – remained unclear.

Mr Annan said Mr Abiola, who received nearly 60 per cent of the votes in polls nullified by the military leadership before the results were officially announced, had decided to relinquish his claim to the presidency and instead chosen to co-operate with Nigeria's junta in preparing for a *peaceful transition to democracy*. But he gave no indication whether Mr Abiola intended to stand in elections due to be held by October.

Nigerians have been discussing the possibility of Mr Abiola's release since Gen Abubakar freed eight of the country's most prominent political prisoners in the days following the death of Sani Abacha, the former leader.

Although Mr Abiola won support in the mainly Moslem north, his political stronghold is the southern Yoruba constituency. Supporters here will be dismayed by Mr Abiola's reported decision. The National Democratic Coalition, furious that some countries wanted Mr Abiola to put the 1993 poll behind him, asked "why a man should be asked to contest *an election twice before he can* claim his mandate".

But western governments have voiced the view that his mandate has lapsed, and that an Abiola government would not unite a country already strained by north-south tensions.

NEW TOKYO FINANCIAL REFORMS AIMED AT GIVING ASSURANCE TO TRADING PARTNERS

Japanese in 'bridge bank' pledge to aid economic recovery

By Gillian Tett in Tokyo

Japan yesterday revealed more financial sector reforms, aiming to convince western and Asian trading partners it is tackling its economic problems.

The ruling Liberal Democratic Party and government officials pledged to create a "bridge bank" that would wind up failed banks and maintain lending to healthy borrowers.

Masaru Hayami, Bank of Japan governor, said: "The bridge bank scheme is a necessary measure for economic recovery and restructuring the financial sector." The official announcement was greeted with unease by investors. In the past few days, after some details were leaked, the yen has strengthened and Tokyo stock markets have risen *sharply*.

However, the yen weakened in London and New York to Y141 to the US dollar by the close of European trading yesterday compared with Y138.7 the day before. The fall came amid rumours that the US Federal Reserve, which last month took joint action with *the Bank of Japan to support the* Japanese currency, might intervene again. Analysts said the markets had already factored in expectations about the bridge bank plan and there had been some disappointment that proposals for a permanent tax cut had not been announced.

Some analysts warned that a test of investor confidence could come when markets opened today in Tokyo. Jim McGinnis, analyst at Dresdner Kleinwort Benson, said: "I think the yen weakness could hurt equity markets. We need to see more positive action."

The bridge bank scheme has attracted particular attention because the US has specifically called on Japan in recent weeks to reform its financial sector. The *US fears that further yen weak*ness could trigger a wave of competitive devaluations across Asia.

Japanese officials insisted the bridge bank plans would help remove Y77,000bn ($530bn) of problem loans by providing a means to wind up failed banks quickly. The banks would be placed under public administration and stripped of bad assets. Loans to healthy borrowers would be *maintained* while administrators sought to find a purchaser. The aim of this is to stave off the threat of a credit crunch.

Masaru Hino, commissioner of the newly created Financial Supervisory Agency, yesterday said he expected the scheme could now trigger a wave of restructuring.

Meanwhile, the Bank of Japan *and FSA pledged to carry out* rapid inspections of the top 19 banks to help judge their solvency.

Japan's premier Ryutaro Hashimoto bows as he starts a meeting of government officials and the LDP about the bridge bank scheme. Reuters

Reaching for the tool kit, Page 12
Editorial Comment, Page 13
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CSFB may pay $1bn for Deutsche team

By Clay Harris, Banking Correspondent

Credit Suisse First Boston may have budgeted as much as $1bn for its ambitious raid on rival Deutsche Bank's high-technology specialist team of investment bankers and brokers, according to people close to the negotiations.

Frank Quattrone, chief executive of the Silicon Valley-based team, could be in line to receive up to $250m of the total. The estimates are based on the size of the three-year guaranteed deals being offered to many members of his team.

CSFB would not comment on the estimates of its multi-year budget to buy a top three position in high-tech investment banking deals, but suggested they were "way off base".

Sixty to 70 US-based professional staff have already agreed to join Mr Quattrone and his senior lieutenants, George Boutros and Bill Brady.

Deutsche is resigned to losing the whole US operation, assembled at great expense over recent years, including its own poaching expedition in 1996 which brought Mr Quattrone, Mr Boutros and Mr Brady from Morgan Stanley.

It is more confident of retaining its highly rated European technology team, which CSFB has also tried to recruit.

Within the past few days, Mr Quattrone was asked for – and gave – an assurance that he was not planning to leave. But on Wednesday he sent voice mail messages to his technology group staff, announcing his departure. He said he was contractually prohibited from contacting his former colleagues for 30 days, but pointed out that they were free to approach CSFB. "Goodbye for now," he concluded.

However, Mr Quattrone was still in Deutsche's California office at Menlo Park yesterday, working on deals in progress.

The Quattrone team's move from Morgan Stanley was the apex of a high-spending recruitment drive aimed at making Deutsche competitive with rivals in the US super league. Deutsche has since dropped that ambition and is concentrating on a US presence sufficient only to protect its main market in Europe.

Mr Quattrone's expensive and stand-alone operation was bound to collide eventually with the value-for-money and integrated-business approach of Josef Ackermann, the managing board member in charge of the investment banking division.

Although Mr Ackermann, a former Credit Suisse executive, may not be unhappy to see the back of Mr Quattrone, the US high-tech sector is a gap that is neither easily filled nor easily left unfilled, even for a Euro-centric bank.

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WORLD NEWS

German officials say IMF's generous aid contributed to Asian crisis

Senior German government and Bundesbank officials criticised the International Monetary Fund, saying it had contributed to the financial crisis in Asia through generous financial aid. They warned about *"moral hazard", as investors got* used to being bailed out by IMF support programmes. **Page 4**

Budapest bomb kills four
A bomb exploded in central Budapest, killing four people and marking a serious rise in the violence which has plagued Hungary's capital in the past three years. **Page 2**

Jospin backs down on poll plan
French prime minister Lionel Jospin has scrapped plans to change the system for European parliamentary elections because of opposition from coalition allies. **Page 3**

Coalition partner rejects Zeman
Milos Zeman, leader of the Czech Social Democratic party, was rejected by a key potential coalition government partner, making it unlikely that he would be able to form a majority centre-left administration. **Page 2**

Doubts over Italy's public finances
Economic analysts questioned whether Italy had brought its public finances fully under control after publication of a surprisingly low budget surplus for June. **Page 2**

New Hong Kong airport opened
Hong Kong's new Chek Lap Kok airport, the world's largest, was opened by China's President Jiang Zemin. Meanwhile, Malaysia's M$9bn (US$2.2bn) airport opened this week with a far-reaching computer failure. **Page 6**

Indonesian freedom bill criticised
A draft law on freedom of expression came under attack in Indonesia from civil rights activists who said it was designed to put a lid on a wave of public protests. **Page 6**

India wins loans despite N-tests
India has welcomed a second batch of World Bank loan approvals within a week as a "rebuff" to those believing post-nuclear test sanctions would harm the Indian *economy*. **Page 6**

US weighs up Clinton's China visit
As President Bill Clinton left mainland China for Hong Kong, US officials were making their initial assessments about the achievements of his trip. **Page 6**

Breast implant deal proposed
The battle to resolve multi-billion dollar breast implant litigation could be settled in the US next week if Dow Corning and claimants agree a deal proposed by a federal mediator. **Page 7**

Havana defies EU over trade pact
Cuba has told the European Union it will not accept political conditions for the island to join a successor accord to the Lomé Convention.

Iran burns 51 tonnes of heroin
Iranian officials yesterday torched 51 tonnes of heroin and opium, enough to supply markets in Britain, Italy and France for more than a year.

BUSINESS NEWS

Kiriyenko demands Gazprom pay taxes or face seizure and a shake-up

Gazprom, Russia's biggest company, came under extraordinary attack by prime minister Sergei Kiriyenko who threatened to seize its assets and shake up its management unless it paid its *taxes in full*. **Page 14**

Airbus Industrie, the European consortium, dealt a blow to US rival Boeing, by winning an order from US Airways for 30 wide-bodied A330 aircraft. **Page 3**

General Motors said rising demand throughout Europe for its new Astra car will bring expansion at the Vauxhall factory at Ellesmere Port in north-west England, with about 1,000 jobs. **Page 8**

The UK Office of Fair Trading announced a fourth inquiry into alleged predatory pricing by News International, part of Rupert Murdoch's media empire and publisher of The Times, which has doubled its circulation over five years. NI was cleared in the others. **Page 8**

London Underground, the state-owned operator of the UK capital's underground rail network, is to split next year into separate train operating and infrastructure companies in preparation for partial privatisation in 2000. **Page 8**

UBS chairman Mathis Cabiallevetta was cleared by Swiss bank regulators of responsibility for the SFr625m ($419m) of derivative losses by Union Bank of Switzerland in 1997 before it merged with Swiss Bank Corporation. **Page 15; Observer, Page 13**

Saab Automobile, the troubled Swedish carmaker managed and half owned by General Motors, said it had virtually run out of its new 9-5 luxury cars at US dealerships because of a failure to allocate sufficient supplies. **Page 15**

Netscape and DoubleClick, two prominent US internet companies, saw their shares surge for the second day amid speculation that media companies may be set to follow Disney and NBC by investing in internet businesses. **Page 15**

***Brazil** took a big step towards* opening its oil sector to foreign competition as it outlined production and exploration areas to be taken away from state-controlled Petrobrás and opened to bidding by outsiders. **Page 14**

Ina, the big Italian insurance group, indicated it still might bid to be a strategic shareholder in state-controlled Banca Nazionale di Lavoro ahead of privatisation. **Page 18**

Tradepoint, electronic stock market trying to break London Stock Exchange's domination of UK share trading, is closer to being allowed to offer direct access to its trading system to US brokers and fund managers. **Page 15**

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
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WORLD MARKETS

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	9,016.29	(-32.38)
NASDAQ Composite	1,892.28	(-22.18)
Europe and Far East		
CAC40	4,252.09	(-8.59)
DAX	5,904.10	(-2.75)
FTSE 100	5,960.2	(+40.3)
Nikkei	16,471.58	(+108.69)
US LUNCHTIME RATES		
Federal Funds	5.62%	
3-mth Treas Bills: Yld	5.069%	
Long Bond	107¾	
Yield	5.597%	
OTHER RATES		
UK: 3-mo Interbank	7⅞%	(same)
UK: 10 yr Gilt	110.2109	(110.230)
France: 10 yr OAT	105.40	(105.43)
Germany: 10 yr Bond	109.16	(109.19)
Japan: 10 yr JGB	111.20	(110.30)
NORTH SEA OIL (Argus)		
Brent Dated	$12.05	(11.855)

GOLD		
New York: Comex		
(Jul)	$294.1	(296.4)
London:	$293.75	(295.65)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.6563	
DM	1.8210	
FFr	6.1050	
SFr	1.5330	
Y	141.35	
London:		
£	1.6583	(1.6583)
DM	1.8221	(1.8185)
FFr	6.1035	(6.0930)
SFr	1.5318	(1.5284)
Y	141.14	(138.74)
Tokyo close:		Y 138.19
Sterling		
DM	3.0216	(3.0175)

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Hungary	[illegible]	Iceland	[illegible]	Italy	[illegible]
Jordan	JD1.75	Kuwait	Fils750	Latvia	Ls1.65
Lithuania	[illegible]	Luxembourg	LFr60	Morocco	[illegible]
Netherlands	Fl5.00	Nigeria	[illegible]	Norway	NKr23.00
Oman	[illegible]	Poland	[illegible]	Portugal(Mainland)	[illegible]
Qatar	[illegible]	S.Arabia	[illegible]	S.Africa	[illegible]
Spain	Pta275	Sweden	SKr22.00	Syria	[illegible]
Switzerland	SFr3.80	Tunisia	[illegible]	UAE	[illegible]

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Italian deficit doubt after tax shortfall

By James Blitz in Rome

Economic analysts questioned yesterday whether Italy had brought its public finances fully under control after the publication of a surprisingly low budget surplus figure for June.

Although government ministers said that a large shortfall in tax revenues in the first half of 1998 had been due to short-term technical factors, the June data have worried some market analysts.

The surplus for June, one of the most important months for tax revenues, came in at L18,300bn ($10.2bn) earlier this week, well below a consensus forecast among analysts that averaged L33,800bn.

The June figure means that Italy's budget deficit in the first six months of this year was L48,300bn compared with L25,500bn in the first six months of 1997 – a difference of more than 1 per cent of gross domestic product.

The government said the lower budget figure in June was due to delays in the introduction of a new regional tax on companies and the self-employed called IRAP.

Those liable for the tax were required to start paying last month. However, many more people than expected have taken the opportunity of making a first payment this month, staggering remaining payments through the rest of the year.

The finance ministry, which is responsible for tax collection, said yesterday that only 25 per cent of people due to pay IRAP had started to do so in June, providing the ministry with L7,200bn in IRAP tax.

A ministry spokesman noted that the government's target for IRAP collection this year was L25,000bn. "It may actually be that the June figure, on closer examination, puts us ahead of target," he said.

However, the introduction of this sweeping tax change in the months before Italy adopts the single European currency, the euro, in January concerns some analysts.

"The outlook is uncertain," said Moreno Capretti, of Banca Commerciale Italiana in Milan. "The government has changed quite radically the schedule for the payment of taxes and we still don't know how many people will end up paying the IRAP tax."

He said the revised schedule for tax payments would at best make budget forecasts uncertain until the year's end.

Andrea Conti, an analyst at Deutsche Bank in Milan, was more confident. "What we are seeing here is nothing more than a rescheduling of the tax timetable," he said.

He believes the July budget data must show a surplus of between L4,000bn and L5,000bn to put the 1998 figures on track.

In a statement on Wednesday night, Carlo Azeglio Ciampi, treasury minister, said there would now have to be "maximum attention" on the spending figures for the rest of this year.

He is confident that Italy will reach its budget deficit to GDP target of 2.6 per cent. But a poorer than expected growth outlook has caused some banks to forecast 2.7 per cent.

'State should control EdF'

By Robert Graham in Paris

France was urged yesterday to introduce a regulatory body for the electricity industry when Europe-wide liberalisation of the business comes into force next February.

This is one of 27 recommendations in a report commissioned by Lionel Jospin, the prime minister, to prepare EdF, France's state electricity monopoly, for the opening up of competition in the sector.

The core of these proposals centres on the conviction that EdF should remain under full state control as an integrated operation, with only the management of the electricity system under a separate entity. But this would itself be staffed by some 1,000 EdF personnel.

The tone of the proposals is defensive, seeking to do the minimum necessary to alter the institutional status of EdF, which has always been managed under tight government control.

The regulatory body envisaged will monitor tariffs and the quality of service both for the public and large clients, who will be able to choose from competitive offers. It will comprise three "independent" figures, who will serve one term of five to six years.

The report lays down four main roles for EdF, Europe's largest electricity company: the purchase of electricity, production, managing the grid and distribution.

EdF will also have responsibility for any eventual replacement or renewal of France's large park of nuclear power plants, taking account of the freeze on new construction imposed by Mr Jospin's government.

Although it does not rule out diversification into telecoms in the style of Italy's Enel, the report is cautious, recommending no early decision. However, EdF could rent its existing network facilities.

The report was issued after a big shake-up of senior EdF management which saw the departure of the chairman and the chief executive after months of squabbling.

Prepared under the aegis of a Socialist deputy, Jean-Louis Dumont, over the past three months, it will provide the basis for legislation in the autumn altering EdF's statutes and redefining its role within the context of EU competition directives.

The main battle is likely to be over the way in which the law protects the existing 116,000 workers and tackles the huge problem of the cost of EdF's pensions.

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R

Four dead in Budapest car bomb attack

By Kester Eddy in Budapest

A bomb exploded under a parked car in central Budapest yesterday, killing four people and marking a serious rise in the violence which has plagued Hungary's capital in the past three years.

Police said the attack, which injured 25 people, was linked to organised crime. They said the victims included the suspected target, Jozsef Boros, a businessman who owns several night clubs.

Mr Boros, a witness in several criminal trials currently in progress, had declined an offer of protection made by police after he had survived a gun attack by unknown assailants.

The bomb, detonated by remote control, exploded in a side street just off Vaci utca, Budapest's main tourist thoroughfare, which is only 150 yards from the Budapest Stock Exchange. The explosion destroyed cars and buildings.

The attack, which seemed to be deliberately intended to injure bystanders, follows a series of shootings and explosions that have hit the Hungarian capital in the last three years.

Most of the early attacks were against nightclubs or restaurants and rarely resulted in personal injury. They seemed to be related to turf wars between rival foreign-led gangs.

This pattern was broken last year by the shootings of a known criminal and a newspaper publisher. In March the attacks began to include politicians, with two explosions at the homes of opposition MPs, although no injuries resulted.

The authorities have been largely unsuccessful in tracking down the perpetrators, with only three suspects arrested in connection with 20 incidents last year, according to a police spokesman. Viktor Orban, the new prime minister, has made the fight against crime a big part of his government's programme.

Cars blaze in a Budapest street after yesterday's bomb blast AP

However, the police, in common with other public workers, have suffered from declining living standards, and are often seen as incompetent or corrupt.

The police have offered a Ft5m ($23,000) reward for information, and Budapest's mayor, Gabor Demszky, said the city would offer an additional Ft225m to reinforce police work in the city.

EU presidency brings Austria back into Europe's diplomatic spotlight

Vienna plans to wipe out its old image of a land on the margins of western Europe. **Eric Frey** and **William Hall** explain

Since the last Austro-Hungarian emperor abdicated in 1918, the private chapels, grand ballrooms and huge libraries of Vienna's 2,600-room Hofburg palace have stood as a disconcerting reminder that the city used to be a much more important place than it is today.

However, this week the Hofburg, which hummed with diplomatic intrigue for more than five centuries, has resumed its old role on the European political stage. The glittering imperial palace will host big set-piece events connected with Austria's presidency of the European Union, which began on Wednesday.

While the current crop of European statesmen are not a patch on the likes of Metternich, Talleyrand and Lord Castlereagh, who in between dances bargained over the continent's future at the 1815 Congress of Vienna, the renewed buzz of political activity inside the Hofburg symbolises Austria's return to the centre stage of European diplomacy.

Ever since the fall of the Iron Curtain, Austria has endeavoured to shed its image as a special case on the margins of western Europe, geographically, politically and economically.

It has modernised its economy and privatised its state-owned industries. Joining the EU in 1995 was another step in its bid to return to the European mainstream.

Today, it has one of the world's lowest rates of inflation, an unemployment rate half the European average and the best long-term productivity growth of any OECD country.

When it comes to national pride, Austrians, along with the Irish, come out on top, according to a recent University of Chicago survey.

The coalition government of Social Democrats and the conservative People's party wants to use the EU presidency to emphasise that Austria is a small and successful country tied firmly to western Europe.

Viktor Klima, 51, the socialist chancellor, and Wolfgang Schüssel, 53, the foreign minister, do not have grand designs for the coming six months. They take a mainstream position on almost every EU issue and want to make progress in areas of internal EU reform, such as agriculture, regional funds and financial burden-sharing among member-states.

When it comes to national pride, Austrians, with the Irish, come out on top, according to a recent survey

But Austria's main aim is to win the respect of its partners with a competent and even-handed performance.

The start of the presidency has helped shore up a government that had come under strain in March when the two parties failed to agree on the issue of Nato membership.

Mr Schüssel's People's party wants Austria to join the Western defence alliance, but Mr Klima's Social Democrats want to retain Austria's firm neutrality. It was the latest in a series of rows that periodically threatens to bring down one of Europe's longest-serving coalition governments.

However, both men have vowed to speak with one voice during the six-month presidency. This may prove hard, as both will be vying for increased public exposure to shore up their popularity ahead of parliamentary elections next year.

Mr Klima is alleged to resent the fact that his foreign minister is the focus of so much attention during the presidency. By contrast, Mr Schüssel felt shoved aside when Mr Klima invited other heads of state and governments to a special summit in October to discuss how to bring the EU closer to the people.

Nevertheless, both hope that the EU presidency will shift public attention away from their main enemy, Jörg Haider's far-right Freedom party, which has dominated Austrian politics for years from the opposition benches. Mr Haider, 48, opposed Austria's EU membership and rejects the European single currency, the euro.

But the popularity of his campaign against Austria's increasingly close ties with the EU has started to wane, and so has his party's standing. A year ago, it was regarded as the second biggest in Austria, but its share in the polls has dropped well below 20 per cent for the first time in years.

Mr Haider's problems stem less from his politics than from the internal problems of his own party after the revelation that one of his key parliamentary lieutenants had fled to Brazil after allegedly embezzling Sch200m ($15.7m) of party funds.

Mounting evidence of irregularities in some regional party organisations has dented Mr Haider's clean-cut managerial image. His decision to run for governor of Carinthia next year suggests he believes his chances of becoming chancellor are fading.

Nevertheless, there are issues in the EU presidency which Mr Haider will seek to exploit. The question of eastern enlargement is particularly sensitive.

Austria's economy has been boosted by the opening up of the east and should gain from the entry of neighbours such as the Czech Republic and Hungary.

But both countries are bigger than Austria and wages in their manufacturing industries are 15 times lower. Ordinary Austrians are worried that enlargement will push down wages, increase unemployment and bring more crime.

Mr Haider is no slouch when it comes to self-publicity, and it would be surprising if he did not try to capture some of the media attention which will be focused on Vienna over the next six months.

Catch him off guard, and his inflammatory comments could do more damage to Austria's reputation than any failure of the Vienna Philharmonic Orchestra to strike the right note at the next Hofburg ball.

Austria, despite its newly minted image, is still a country where history hangs heavily in the air.

Zeman faces fresh headache

By Robert Anderson in Prague

Milos Zeman, the leader of the Czech Social Democratic party, was yesterday flatly rejected by an important potential coalition government partner, making it unlikely that he will be able to form a majority centre-left administration.

Mr Zeman, whose party won 74 seats in the 200-member chamber in elections last month, has one more week to run on a mandate from President Vaclav Havel to form a government.

The three centre-right parties are jostling for position in anticipation that Mr Zeman will fail and that Vaclav Klaus, the leader of the Civic Democrats, will be handed the mandate.

The Christian Democrat party, which has 20 seats, has said it wants to form a government with the Social Democrats, provided the centre-right Freedom Union, which has 19 seats, is also included.

Jan Ruml, the Freedom Union leader, yesterday ruled out co-operation with the Social Democrats, saying that the programmes of the two parties were incompatible.

Mr Zeman had offered to give the premiership to Josef Lux, the Christian Democrat leader, and hand more than half the cabinet seats to the two small parties.

The Freedom Union, which split from the Civic Democrats earlier this year, has also put tough preconditions on co-operating with Mr Klaus.

The Christian Democrats are even more reluctant to rejoin a coalition under his leadership, after helping to bring down his last government in November.

The Civic Democrats, who have 63 seats, have indicated that they are not prepared to make huge concessions in order to form a government.

Both big parties have encouraged speculation that they may co-operate to impose a change to the voting system and hold another early election unless the smaller parties become more flexible.

After meeting Mr Klaus earlier this week, Mr Zeman said it was in the best interests of the country to have "a stable government in which both the strongest parties would have a significant position."

ECB plans to deal with 'shocks'

By Michael Smith in Vienna

The European Central Bank may be able to increase the liquidity of money in countries hit disproportionately by economic shocks, a newly appointed governor of the bank said yesterday.

Klaus Liebscher, president of the Austrian Central Bank, said he and fellow governors would have to consider in the next few months the instruments to deal with "asymmetric shocks" after the launch of the euro, the European single currency, next year.

"Perhaps an oil price rise would affect one region more than another. We cannot change interest rates for one country but not the rest. But we have the possibility of dealing with it through the disposal of liquidity."

The bank could give national central banks authority for higher or lower liquidity levels, Mr Liebscher said, stressing he was expressing a personal opinion.

Mr Liebscher said he thought asymmetric shocks were unlikely since economies in the 11 countries participating in monetary union had converged so much in recent years.

Speaking in Vienna at the start of Austria's presidency of the EU, Mr Liebscher strongly defended the stance taken by Wim Duisenberg, the ECB president, against early publication of minutes of bank governors' meetings.

"Minutes of meetings should be published as late as possible. We understand why the Federal Reserve [of the US] and the Bank of England publish minutes but here in Europe we do not have a single state with a single central bank. We have 11 states, 11 governments and 11 national parliaments, but we have a single policy."

Governors would come under intense pressure if it was seen how he or she had voted. The system, he said, was "not one country, one vote, but one governor, one vote".

The system, he said, was transparent because of parliamentary accountability. "I am obliged to report to our national parliament's budget committee twice a year and I am in favour of that."

NEWS DIGEST

STATE SUBSIDIES

Brussels keeps pressure on governments over aid

The European Commission, the European Union's executive, is to maintain pressure on governments to cut subsidies even though the value of state aid has declined in recent years. Aid to manufacturing industry between 1994 and 1996 was 10 per cent lower than in the previous two-year period, according to the Commission's sixth Survey on State Aid in the European Union.

State aid is not authorised under EU law, because it distorts competition in the single market. Exemptions are granted, however, on a case-by-case basis for regional development and large scale industrial restructurings.

The survey covers aid to manufacturing, agriculture, fisheries, coal, transport and financial services. Karel Van Miert, EU competition commissioner, said aid levels were still "much too high". Aid to manufacturing in the 15 member states was Ecu38.3bn ($41bn), down from Ecu41.4bn in 1992-1994 for the 12 countries which then constituted the EU.

France, Germany and Italy – the countries with the highest levels of subsidies – showed the sharpest decline. Countries with the lowest levels of aid, such as the UK and Spain, showed a rise, although the UK continued to have one of the lowest levels of subsidies. Belgium stands out as a country with high levels of aid, where the overall amount increased further. Samer Iskandar, Brussels

EURO-ZONE

Annual inflation stable at 1.4%

Annual inflation in the euro-zone remained stable at 1.4 per cent in May, according to data from Eurostat, the European Union's statistical bureau. The figures suggest that the euro-zone continues to experience conditions of virtual price stability, with no imminent inflationary and deflationary pressures.

But inflation performances differed markedly across euro-zone countries. Annual inflation was only 1 per cent in France and Austria, the lowest rates registered in the euro-zone, while Ireland had the highest rate of inflation at 2.4 per cent, up from 2 per cent in April.

The rise in Irish inflation follows a period of strong economic growth and a resulting boom in asset prices. Spain, Italy, the Netherlands and Portugal also registered inflation rates of 2 per cent or above. Annual inflation in the entire 15-member EU was 1.6 per cent in May, up from 1.5 per cent in April. Greece had an inflation rate of 5.0 per cent, the highest in the EU. These figures compare with equivalent inflation rates of 1.7 per cent in the US and 0.5 per cent in Japan. Wolfgang Münchau, Frankfurt

TAX AVOIDANCE

Brussels seeks crackdown

The European Commission has adopted a directive to crack down on European Union residents who avoid taxation by moving themselves or their assets to another member state. The proposal aims to ensure a common approach by national administrations against tax dodgers.

The Commission said yesterday that an earlier 1970s directive providing for mutual assistance between national tax administrations had proved ineffective. Despite pledges to exchange information and to share systems of collection and enforcement, the results were meagre.

The new directive – which must be approved by ministers of the 15 EU member states – included national fines and penalties, and excluded very old claims that were difficult to recover. It also limited the scope of "no hope" appeals that tax dodgers often used to gain time. Lionel Barber, Brussels

RUSSIAN HELICOPTER CRASH

EBRD worker killed

A worker for the European Bank for Reconstruction and Development (EBRD) was among three people killed in a helicopter crash in south-east Siberia on Wednesday, the London-based bank said. "It's our understanding an EBRD member of staff was killed and a second employee is among the seriously wounded," Ben Atkins, an EBRD spokesman, said.

He said the EBRD had yet to confirm the dead person's identity. Earlier in Moscow, an emergencies ministry spokesman said three people, two of them Canadians, died when the MI-8 helicopter carrying 16 people crashed on take-off near Russia's Lake Baikal and burst into flames. Of the 13 rescued, three were seriously hurt.

The two EBRD staff members had been working on a project to upgrade and expand two goldmines operated by mine owner Buryatzoloto using a $17.5m finance package from the bank. Reuters, London

GREEK MARKETS WATCHDOG

Hellenic Petroleum probed

Greece's capital markets committee, the watchdog for the Athens stock exchange, is examining complaints that Hellenic Petroleum (HP), the state-controlled oil refining group which was partly privatised last month, has discriminated against small investors.

Retail investors were excluded from HP's first two days of trading because they had not received share depositary certificates.

A company official said: "We were overwhelmed with paperwork, but the July 1 start of trading couldn't be postponed because of the commitment to international investors."

More than 350,000 retail investors were allocated 40 shares each in a domestic tranche covering almost 30 per cent of the Dr85bn ($278m) offering. Demand for shares from small savers was much higher than in previous privatisation offerings. The retail tranche was subscribed more than 30 times. Bourse officials said yesterday that retail investors had started to receive their certificates. HP's share price has jumped 44 per cent in the first three days of trading, thanks to strong demand from Greek institutions. Kerin Hope, Athens

LITHUANIAN ECONOMY

Annual growth at 6.9%

Lithuania's economy grew at an annual rate of 6.9 per cent in the first quarter of 1998, the central bank said yesterday. The current account deficit, buoyed by strong import growth, rose in the first quarter by 15.2 per cent on a year-on-year basis, the central bank said.

Despite rapid manufacturing growth, vigorous domestic demand for both investment and consumer goods outpaced domestic supply, the central bank said. This fuelled import growth. "The 13.5 per cent is higher than what we had expected, but not dramatically so," said Adalbert Knobl, the International Monetary Fund's resident representative. Mr Knobl said the current account was usually higher in the first three months than in other quarters because of energy imports.

A good portion of the current account was financed by foreign direct investment, which does not create debt for the country, Mr Knobl added. The prime minister, Gediminas Vagnorius, said Lithuania's current account deficit was likely to be around 10 per cent of gross domestic product for the whole of 1998. Matej Vipotnik

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ELECTORAL SYSTEM PM BOWS TO ALLIES OVER EUROPEAN PARLIAMENTARY POLL

Jospin drops election reform plan

By Robert Graham in Paris

Lionel Jospin, France's Socialist prime minister, has been forced to scrap plans to change the system for European parliamentary elections because of opposition from his leftist coalition allies.

This is the first time Mr Jospin has bowed so publicly to pressure from his partners since he took office in June last year. However, in withdrawing plans already at an advanced stage in the legislative process, he has demonstrated pragmatism in dealing with the increasingly troublesome Communists and Greens who back his administration.

Since 1993, successive French governments have toyed with changing the system of electing deputies to the European Parliament. This has relied on proportional representation with lists of candidates drawn up nationally by the parties.

After the strong performance of the far-right National Front in regional elections last March, President Jacques Chirac encouraged the prime minister to press ahead with a reform of the EU parliamentary vote before the June 1999 European elections.

Legislation was drawn up and approved in a cabinet meeting on June 10. The aim was to bring deputies closer to the electorate by dividing France into seven geographical units, with another for the overseas territories.

The existing 87 seats were then spread out on the basis of this new regional geography while maintaining proportional representation.

The bipartisan approach with presidential backing quickly came undone when both the right and the left began to realise they risked losing out in the change.

The Communists were especially hostile, with the rank and file concerned that the new system would weaken their representation and permit the Socialists to dominate the left's vote.

Robert Hue, Communist leader, ever sensitive to charges of being emasculated by allowing the party to be in government, became an increasingly outspoken opponent.

With the Communists pressing demands to impose more taxes on the wealthy in 1999, Mr Jospin decided late on Wednesday that the new law was not worth the risk of confrontation or, more seriously, a parliamentary defeat. Against him were not only the Communists but the Greens and the Citizens Movement of the interior minister, Jean-Pierre Chevènement.

France's PM has demonstrated pragmatism in dealing with increasingly troublesome allies

The proposal's fate was sealed because Mr Chirac was unable to persuade a large segment of his own allies on the right to back change. This was despite the fact that the new electoral system followed suggestions put forward last year by the previous conservative government.

Such disregard for an electoral reform with presidential backing enabled Mr Jospin to shift much of the blame on to the right – and on to Mr Chirac.

France set to issue inflation-linked bonds

By Edward Luce

Dominique Strauss-Kahn, the French finance minister, said yesterday France would issue bonds linked to the rate of inflation in a move which would put it ahead of its neighbours in the future euro-zone.

The plan, which was opposed by Jean-Claude Trichet, governor of the French central bank, when it was first proposed last year, is the latest in a series of French initiatives designed to woo the bond markets in advance of economic and monetary union.

France was also the first among the inaugural members of Emu to announce it would redenominate all government debt into euros next January. In addition, the French treasury was ahead of Germany and other neighbours when it permitted the introduction of strips trading – separating the different coupon payments on a government bond into independently tradeable instruments.

Yesterday's announcement that the French treasury would issue index-linked bonds in September and thereafter at every monthly bond auction is seen as the latest attempt to strengthen market confidence in French government bonds.

"France wants its debt to be the benchmark for Europe," said Valérie Menoret at Paribas Capital Markets in Paris. "This is designed to have a deep impact on the market."

By linking the yield on the bond to the current rate of inflation, investors are guaranteed a real rate of return on their holdings whatever happens in the macroeconomy.

In addition to giving investors a choice of government bonds, the French government is therefore expressing confidence in its ability to hold down the rate of inflation over the long term. The UK and Sweden, neither of which are part of the first wave of Emu, also issue index-linked bonds. However, analysts are sceptical of France's ability to persuade capital markets to spurn German government debt in favour of French bonds. Germany is considered a marginally safer credit than France and has a better record on inflation.

Shevardnadze sees new oil pipeline as key to Georgian unity

Anthony Robinson and **Selina Williams** on the president's reunification bid

High on a crumbling watchtower with a panoramic view over the Georgian port of Poti, a shirt-sleeved Russian border guard peers through binoculars at ships entering and leaving the Black Sea harbour.

Georgia has been formally independent since the disintegration of the Soviet Union in 1991, but the Russian soldier is a symbol of its limited sovereignty. He is one of around 2,000 Russian troops who guard Georgia's coastline and also what was once the Soviet border with Turkey and Georgia's northern border with Russia itself.

Georgia, which first came under Russian control nearly 200 years ago, lost control of its northern border in 1993 when Russia clandestinely encouraged the bid for independence mounted by rebellious nationalists from the ethnic Abkhazian minority living in what used to be an autonomous province of Soviet Georgia.

More obvious signs of Russia's continuing presence are the 11,000 Russian troops housed in four military bases, the two Russian air force bases and the submarines from the Black Sea fleet which occasionally call in at their old base at Ochamchire.

The most ambiguous presence is that of more than 1,200 peacekeepers operating under a mandate from the Organisation for Security and Co-operation in Europe (OSCE) to help keep the peace in Abkhazia and South Ossetia. These are the regions where clandestine Russian intervention on the side of the rebels helped to foment violent separatism in the first place, Georgians believe.

Fighting between rival militia forces flared up again in Abkhazia two months ago after Abkhazian forces ejected thousands of ethnic Mingrelian and Georgian refugees who had returned to the southern Abkhazian region of Gali.

This underlined the depth of the problems faced by President Eduard Shevardnadze. The Georgian leader, who has been the target of two assassination attempts in the last three years, is trying to persuade the breakaway provinces, and the largely Moslem region of Adjaria around the port of Batumi, to accept his offer of an "asymmetric federation". This would give the would-be separatists a large degree of economic and political autonomy while remaining within Georgia.

While Abkhazia remains defiant, Ludwig Chibirov, the self-styled president of South Ossetia, is desperately seeking foreign investors to prop up the crumbling economy after Russian pledges of economic assistance failed to materialise.

Speaking in the South Ossetian "capital" of Tskinvali, a straggling Soviet-style village in the foothills of the Caucasus mountains, Mr Chibirov acknowledged the impossibility of attracting foreign investment without international recognition and signalled his readiness for closer economic ties with Georgia.

The mountainous region is part of the Russian federation and temporary home to thousands of South Ossetians who fled the ethnic fighting in 1991-92. This was provoked by the aggressive Georgian nationalism of then president Zviad Gamsakhurdia, and fanned by nationalists and pro-Soviet nostalgics militating for union between North and South Ossetia.

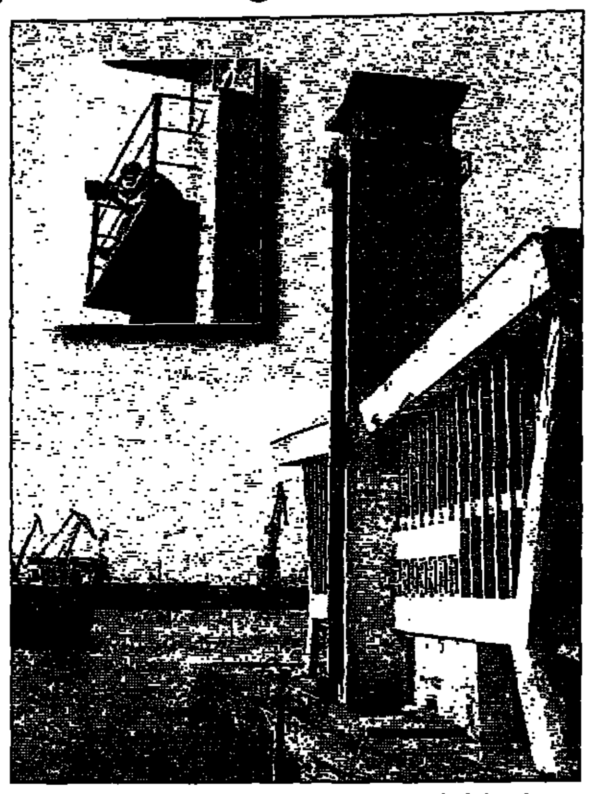
This year, however, a new and potentially powerful economic development has raised the hopes of Mr Shevardnadze and his closest advisers of reuniting the country, securing the departure of Russian troops and building a new relationship with Russia built on mutual respect and economic co-operation.

The new factor is a 920km oil pipeline under construction from an offshore Azerbaijani oil field in the Caspian Sea across Azerbaijan and Georgia to a new oil terminal at Supsa, just north of Poti.

The $570m line, with an ultimate capacity of 15m-18m tons a year, is expected to start pumping oil by next spring. It is matched by a similar but smaller pipeline from Baku to the Russian Black Sea oil port of Novorossiysk.

While Supsa will operate all year round, Novorossiysk is closed due to storms and bad weather for three to four months a year. Now the Georgian International Oil Company (GIOC), working closely with the Azerbaijani government and the 11 international oil companies financing the Baku-Supsa pipeline, is proposing construction of a spur line to link Novorossiysk with Supsa.

Such a line would allow Novorossiysk to operate all year round and would enhance the attractiveness of the proposed Caspian Pipeline Consortium (CPC) "main oil export pipeline", argued Giorgi Chanturia, president of GIOC. The CPC line is designed to carry more than 30m tons of oil from Tengiz and other oilfields in western Kazakhstan to Novorossiysk.



A watchtower at the Georgian port of Poti on the Black Sea. Inset: a Russian border guard atop the tower watches over shipping

Mr Shevardnadze and his advisers have been attracted to the project by the potential geopolitical significance of a Novorossiysk-Supsa spur.

The line would have to pass through Abhazia, and could only be financed and built if Moscow ceased clandestine support for Abhazian separatists and pushed for acceptance of the "asymmetric federalism" now on offer from Tblisi, the Georgian capital.

This would signal that Moscow was prepared to move away from its traditional policies of seeking military and political hegemony in the Caucasus towards a potentially more rewarding policy of economic co-operation and mutually beneficial investment projects with Georgia and the rest of the region.

Airbus claims lead in sales battle with Boeing

By Michael Skapinker, Aerospace Correspondent

Airbus Industrie, the European consortium, yesterday dealt a blow to Boeing, its Seattle-based rival, by winning an order for 30 aircraft from US Airways.

Stephen Wolf, US Airways chairman, said his company had chosen the Airbus A330 over the Boeing 767 because the European aircraft offered "slightly better cargo and passenger capability". Airbus had also put together a better economic package. It is the first time Airbus has sold a wide-bodied, fly-by-wire aircraft to a US carrier.

The Airbus success follows a difficult period for Boeing. The US company this week said it had final resolved manufacturing problems which last year helped push it into loss for the first time in 50 years. Airbus said yesterday that it had won 52 per cent of all aircraft orders in the first half of this year, pushing Boeing – traditionally the world's biggest manufacturer – into second place.

US Airways said yesterday that it had placed firm orders for seven wide-bodied twin-engined A330s, taken out options on a further seven and reserved delivery positions on an additional 16. However, Mr Wolf said: "The truth of the matter is that we plan to buy all 30 aircraft." The list price on the aircraft is $3.7bn, although Mr Wolf said US Airways would be paying less than this.

The order is the second Airbus success at US Airways. Last year, the carrier said it would buy up to 400 narrow-bodied aircraft. Mr Wolf said: "Airbus will represent the vast majority of our fleet in just a few years." The airline plans to use the new aircraft, which carry 335 passengers, on transatlantic flights from the US to Rome, London and Paris.

Boeing earlier this year suffered another blow when Airbus won a $4bn order from a group of airlines in Latin America, a market the US manufacturer has traditionally dominated. Boeing is also struggling to win an order for short-haul jets from British Airways, a long-standing customer. The BA board is due to consider bids from Boeing and Airbus for about 30 aircraft today but is not expected to make a decision for several weeks.

BA has dismissed reports that it has already decided to buy Airbus jets. "The negotiations are real and they are still in train," the airline said. However, Ron Woodard, Boeing's head of commercial aircraft, indicated this week that he had already offered BA his best package. "We've made an offer for 17 firm [orders] and 17 options that's as aggressive as we can prudently do while maintaining shareholder value," Mr Woodard said.

Maquila law in El Salvador relaxed

By James Wilson in San Salvador

El Salvador is to give manufacturers in its tariff-free assembly zone full access to domestic and regional markets, rather than insisting that most goods are sold outside Central America.

The decision will allow El Salvador to compete better with neighbouring countries that allow sales in the region, Eduardo Zablah, the economy minister said. However, it has worried the country's industrial sector, which says it will be dragged into unfair competition with foreign manufacturers.

Free zone assembly plants known as *maquilas* are an important export earner for El Salvador and other Central American countries. Foreign manufacturers are given a tax-free environment to import materials for local finishing of goods, especially textiles, which are then exported. Cheap local labour costs have been a further attraction.

However, competition has grown fiercer, especially since Mexico – another important location for assembly plants – gained privileged access to the big US market through the North American Free Trade Agreement (Nafta).

Under its proposed law change El Salvador would allow manufacturers to sell as much of their production as they wanted within the country or within Central America, although they will have to pay tax on goods entering the Salvadorean market. Previously manufacturers have been allowed to sell a maximum of 15 per cent in the region, while all textiles had to be sent outside Central America.

Mr Zablah said he hoped the measure would increase the number of jobs in the sector by roughly 150 per cent in the next three years. *Maquila* exports have been worth $1.2bn a year, of which around $400m is value added in El Salvador.

IFC steps in to fund Vietnam water scheme

By Jonathan Birchall

The International Finance Corporation is to lend $25m to fund the completion of Vietnam's first build-operate-transfer project, after the regional economic crisis led to the collapse of previously agreed project funding.

The Malaysian-owned Binh An Water Corporation (BAWC) was given a BOT licence by the Vietnamese authorities in 1995 to build a 100,000 cubic metres per day water treatment plant in Ho Chi Minh City, meeting more than 10 per cent of the city's demand.

Work on the $38m project began last year, with almost three-quarters of the civil works already complete.

BAWC officials say they were obliged to seek IFC funding earlier this year, after Malaysia's domestic economic crisis led to the withdrawal of Malaysian bank funding, but that the project remained financially attractive.

The IFC, which promotes private sector activity in developing countries, says its financing package would be split between a syndicated loan from banks and financial institutions, and a direct loan on its own account, both of $12.5m.

An IFC statement also stressed the importance of the BAWC project in illustrating the potential of private sector funding in the development of utilities and services in Vietnam. BAWC is owned by a consortium which includes Malaysia's IJM Corporation, Emas Utilities' Salcon Engineering, and the Malaysian government's Malaysia South-South Corporation (Masscorp).

Meanwhile, the Asian Development Bank (ADB) and the Vietnamese government are understood to have resolved a dispute over another big water supply project in Ho Chi Minh City; the $86m Saigon Water Supply and Rehabilitation Project.

The ADB had threatened to cut off funding for the scheme in a dispute over the selection of an international contractor to build a $23m water supply pipeline.

Sources familiar with the project now say the Vietnamese government has dropped its insistence that the work be awarded to French contractor SOGEA, whose low bid had been disqualified by the ADB. Instead the work will be awarded to Japan's Mitsui Construction, the second lowest bidder.

Progress on Vietnam's second BOT water supply licence, a project by France's Suez-Lyonnaise des Eaux, is dependent on the completion of the supply pipeline.

US and Japan in insurance market clash

By Gwen Robinson in Tokyo

US-Japan trade tensions flared yesterday after the US accused Japan of failing to meet a July 1 deadline for reforming its $335bn insurance market.

Charlene Barshefsky, the US Trade Representative, said Japan was "unwilling to open its insurance market to genuine competition." Japan, however, said it had "faithfully implemented" the reforms, contained in a 1996 bilateral accord on deregulation of Japan's primary insurance market.

A frosty exchange of claims and counter-claims yesterday between the office of the US Trade Representative and Japanese officials followed the breakdown last month of talks between US and Japanese negotiators. The talks were part of US efforts to force Japan to adhere to promises made in two bilateral agreements, in 1994 and 1996, on opening its insurance market to foreign and domestic competition.

More significantly, US insistence on a deregulation timetable in the 1996 bilateral agreement has placed Washington in the tricky position of opposing Japanese plans to proceed with liberalisation in another area of insurance: the so-called "third sector" of specialty insurance. Foreign companies dominate this grey zone between primary life and nonlife insurance categories in Japan, which features products such as cancer, senile dementia and nursing insurance.

The main reason for foreign dominance in this specialty sector are restrictions which prevent Japanese companies offering third-sector policies such as cancer insurance. The restrictions were introduced when foreign companies began developing such products in Japan in the 1970s, mainly because Japanese companies had little interest in the sector at the time. But the ageing of society, the success of foreign companies and recent deregulation in the main insurance markets have generated domestic pressure on the government to lift the restrictions.

The US, however, demanded in the 1996 bilateral accord that Japan fulfil promises to deregulate its main insurance markets before lifting restrictions on Japanese companies in the third sector. Ms Barshefsky said yesterday the US would oppose Japan's plan to lift the third sector restrictions by 2001 unless Tokyo fully deregulated its primary insurance market.

In a development which at least partially undermined US claims, however, Sony, the Japanese electronics giant, confirmed yesterday it would establish a non-life insurance company offering discounted motor insurance policies to individuals through direct marketing methods including telephone and internet sales.

The primary sector is dominated by life insurance, which accounts for nearly 80 per cent of total insurance premiums in Japan. The US claims that Japanese companies control about 98 per cent of life business and 97 per cent of the non-life business, which is mainly in fire and automobile insurance.

Third-sector premiums, which represent a small but lucrative niche market, are divided between the life and non-life categories. But taken separately, third-sector insurance shows a stark reversal, with foreign companies overwhelmingly dominant in lucrative fields such as nursing care insurance, where they account for about 90 per cent in terms of the value of policies underwritten.

Music's Big Five threaten royalty collectors

By Alice Rawsthorn

Music collecting societies, which collect royalties owed to musicians and composers when their work is performed or broadcast, are threatened by the consolidation in the global music industry, according to a new study.

The study, compiled by academics from City University Business School in London, argues that the growing power of the multinational companies, which own most of the world's large record labels and music publishers, makes it difficult for collecting societies to deal with them on equal terms.

It expects the multinationals' negotiating position to become even more powerful in future. At the same time, it will become increasingly important for the music industry to have an efficient collecting system, as a higher proportion of musicians' and composers' earnings will come from royalties on "intangible" transactions, such as broadcasting music and selling it over the internet, or other digital networks.

Recent changes in the music industry have already changed the balance of power between record labels, music publishers and collecting societies, according to the study.

For years, societies such as Japan's JASRAC and Germany's GEMA have had a monopoly on royalty collection in their countries on the grounds that individual record labels, music publishers, artists and composers could not afford to do so on their own.

This system has already come under strain. U2, the rock group, recently began, but eventually abandoned, legal action against the UK's Performing Right Society (PRS) accusing it of inefficiency.

Several multinational music groups have threatened to bypass the collecting societies. One problem is that if a multinational owns the publishing rights to songs recorded on one of its labels, it has traditionally had to pay two sets of administrative commission to the collecting society.

PolyGram struck a 1996 deal with the Mechanical Copyright Protection Society in the UK to pay lower commission in such cases. It then joined forces with other multinational publishers to clinch a centralised European collection deal, whereby the societies will charge lower commission to those companies, but raise it for smaller ones.

Collecting societies have made recent efforts to modernise their operations and forge international alliances. Despite this, the study claims that the pressure on them will increase, as consolidation in the industry continues.

Since the early 1990s, the music market has been dominated by six groups, but Seagram's recent $10.4bn deal to merge its Universal Music subsidiary with PolyGram, already the world's biggest record company, will create the "Big Five".

Smaller companies risk being neglected by collecting societies as the "Big Five" expand, according to the study. It also argues that less commercial artists could lose out.

The Challenge To The Established Principles Of Reciprocity and Solidarity in Music Copyright, City University Business School, Frobisher Crescent, London EC2Y 8HB. Tel: + 44 171 477 8619

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Bundesbank attacks IMF over Asia

By Wolfgang Münchau in Frankfurt

Senior German government and Bundesbank officials yesterday criticised the International Monetary Fund, saying it had contributed to the financial crisis in Asia through generous financial assistance.

Hans Tietmeyer, president of the Bundesbank, and Jürgen Stark, state secretary in the finance ministry, said consecutive IMF bail-outs had lulled investors and lenders into a false sense of security, and had helped spread the crisis throughout the region.

They warned in particular about "moral hazard", as investors get used to being bailed out by IMF support programmes.

The outspoken criticism, at a joint conference organised by the Bundesbank and the IMF, highlights the long-standing gulf between Europe's conservative financial establishment and the IMF.

In a speech to the conference, Mr Tietmeyer said: "The basic problem of any form of interventionist economic policy [is that] the other players come to expect interventions and anticipate subsequent measures. On balance, it has become clear that an interventionist strategy for managing financial crises can easily lead to a dead end."

Michel Camdessus, managing director of the IMF, gave a vigorous defence of the IMF's record: "These [IMF] programmes are hardly bail-outs. Many private investors are taking heavy losses. With stock markets and exchange rates plunging, foreign equity investors have lost nearly three quarters, if not more, of the value of their equity holdings in some markets."

In a thinly disguised counter-offensive he called on Europe to play a bigger role in the IMF than previously. "Europe must have a greater presence and must take on more responsibility as the biggest shareholder of the IMF," he said.

European countries are the largest shareholders in the IMF, even though the US carries the strongest influence. European monetary officials have signalled that they intend to play up to their joint strength after the start of economic and monetary union among 11 European countries next year.

In a separate session, Michael Mussa, the IMF's economic director, acknowledged the problem of moral hazard, especially in bailouts of large countries, such as Russia.

But he said moral hazard was mostly created by domestic policies in the affected country rather than by IMF programmes.

He said the large capital flows into Mexico and Asia had not been made by investors who expected IMF bail-outs

Mr Stark, who is about to move from the finance ministry to become deputy president of the Bundesbank, countered that financial assistance to Mexico four years ago had triggered a fall in emerging markets bond spreads, caused in part by financial markets discounting future IMF intervention.

Both sides agreed, however, that crisis prevention and management required better statistical information about capital flows, especially about loans with a short maturity, which played an important part in the Asian crisis.

There was also broad agreement to engage private sector bankers directly in the crisis management.

Rand falls after extent of intervention revealed

By Victor Mallet in Johannesburg

The South African rand came under renewed pressure on foreign exchange markets yesterday – falling to a record low R6.35 against the US dollar – after the Reserve Bank in Pretoria released figures showing that it had intervened last month in the forward market to the tune of more than $4bn in a vain attempt to protect the currency.

Economists and foreign currency dealers knew the bank had spent billions of dollars in May, but expressed shock at the new data because they had assumed it had largely given up attempting to defend the currency through intervention in the markets last month.

The Reserve Bank's gross reserves of gold and foreign exchange fell slightly in June, and its use of short-term foreign credit was little changed. But its net oversold position in forward markets rose $4.6bn to $22.5bn. It tried to support the rand by buying rand and selling dollars for delivery at a future date as well as intervening in the spot market.

Since May, the bank's open position has risen by $9.8bn, and unless the rand stages a strong recovery, it is likely to incur losses equivalent to hundreds of millions dollars when those forward contracts come due.

Confidence among South African businesses fell sharply in the second quarter of the year, largely as a result of the falling rand and higher interest rates, according to figures released yesterday by the independent Bureau for Economic Research.

Its business confidence index – on a scale from zero to 100, with 100 representing maximum optimism – fell from 36 in the first quarter to 17 in the second, the steepest fall since 1988. "Should instability in the financial markets continue, business confidence could in all probability decline further," the bureau said.

"This in turn could lead to a reduction in inventories and the delay or scrapping of fixed investment projects which will have a serious adverse impact on economic growth."

There was little respite for the government on the political front either, with the fissures within the tripartite alliance of the African National Congress, the trade union movement and the South African Communist party continuing to deepen.

Yesterday Thabo Mbeki, the deputy president who has already taken over the day-to-day running of the country from Nelson Mandela, lambasted the SACP for its constant sniping at the government's conservative economic policies.

Echoing comments made by Mr Mandela on Wednesday, Mr Mbeki told the party's 10th congress in Johannesburg that its discussion documents "regurgitate, undigested, the most pessimistic assessments of our economy made by those whose class and national interests dictate that they propagate the understanding that our government has failed, as all other African governments have failed".

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Years of civil war sap Sudan's youth and stoke army discontent

Michela Wrong reports on an Islamic regime that is regarded as having brought *penury, bloodshed and international* isolation to Africa's largest nation

Soldiers from the Sudan People's Liberation Army set for battle with government forces

When her son was killed in southern Sudan, Zeinab Abu El Gasim refused to mourn. He had died on *jihad*, she knew, and as a martyr was assured a place in heaven.

But her daughter Amel's reaction was less unquestioning. "The war has been going on and on and people keep dying. Maybe I'm an irresponsible citizen, but if the south wants separation, I say let them go."

As Sudan's civil war enters its 16th year, the cost to the nation's youth is increasingly heavy. More than any other issue, analysts say, the frantic search for new recruits for the front is undermining support for the National Islamic Front (NIF) government.

Once voluntary, joining the military has become obligatory as the threat posed by the rebel Sudan People's Liberation Army (SPLA) has grown. Press-ganging in public places has been replaced with more sophisticated techniques: graduating from high school, entering university or obtaining documents needed for a job are now impossible without proof of military service.

Last year 80,000 young men were drafted. This year the official target is 250,000, with 650,000 civilian recruits by the year 2000 as the eventual aim. The phenomenon appals the middle classes, who believe their cursorily-trained sons are serving as cannon fodder.

"If this carries on, in five years time there will be no one to run the country," says a family patriarch. "The country's cream is being sent to be massacred, like the Jews were sent to the gas chambers."

Those who regard the sacrifice as worthwhile form part of a shrinking minority.

Increasingly, young men are postponing their degrees, staying at home or wangling scholarships with foreign universities. "It's a form of civil disobedience," says a diplomat. "People keep their sons at home or send them out of the country and don't even feel ashamed of it."

The drain of youth and talent is a measure of the hopelessness that has set in. After nine years at the helm the National Islamic Front is vastly unpopular, regarded as having brought little more than penury, bloodshed and international isolation on Africa's largest nation.

But Hassan al-Turabi, architect of Sudan's Islamic revolution, paints a glowing picture of new roads, schools and clinics, religious tolerance and a vibrant democracy: all values enshrined in a new constitution being put to popular vote.

"Sudan is developing culturally, socially and economically," he said in an interview. "We have a presidential system that is more democratic than in the US, religion is freer than in Europe and our government is free of corruption, something unique in Africa."

The facts scarcely bear him out. Khartoum residents complain about deteriorating social services, crippling taxes, fraudulent elections, a repressive security system that routinely jails its critics and the NIF elite's growing wealth.

But their real bitterness is reserved for the economy, weakened by go-it-alone policies and the West's refusal to help a country accused of sponsoring international terrorism – a boycott that has deprived Sudan of $800-900m in yearly assistance.

The central bank governor may claim that GDP growth was close to 6 per cent in 1997 and is targetted for 6.6 per cent this year, and that inflation – running at more than 100 per cent last year – has been reduced to 15 per cent.

But his figures, apparently accepted by the International Monetary Fund, trigger laughter from diplomats and ordinary Sudanese, who cite runaway prices and stagnant demand. "These figures are ridiculous," snorts Mohamed Hashim Awad, economics professor at Khartoum University. "I wouldn't be surprised if the real figure for growth this year is negative."

With dissatisfaction so high, the regime may appear ripe for toppling. But alternatives are few. Since Sadiq Al-Mahdi, head of the Umma party, joined exiled members of the opposition National Democratic Alliance in Eritrea, dissidents have been without a credible rallying point.

Given a national history of military coups, many Sudanese look to the army for rescue. Discontent is rife there too, with army officers unhappy about the decision to appoint a NIF stalwart to the vice-presidency, left vacant when Major General Zubeir Mohamed Saleh was killed in a mysterious plane crash.

"In the last year there have been at least five quashed army coup attempts," says one diplomat. "It's not a happy organisation."

But the NIF has spent years preparing for just such a threat. More effectively than any other African regime, it has shored up its position by infiltrating existing power structures and setting up parallel institutions to shadow their functions.

Hence the formation of the People's Defence Force – fanatical Islamic fighters now reported to outnumber and outequip the army. Hence also the repeated purges of the professional military. "There are a lot of very good officers now outside the army," says a former officer. "They are sitting there waiting for the right time to jump."

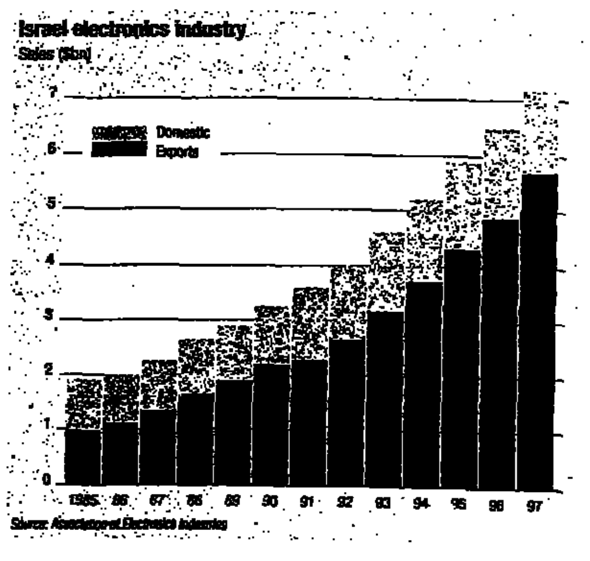
Providing a big distraction for the army, of course, is the civil war. Recent SPLA victories in eastern Blue Nile province have raised fears that the co-ordinated assault Khartoum believes its regional neighbours are planning is about to be launched.

Analysts say a foreign invasion, or prospects of a triumph by a Christian southern rebel force – regarded with suspicion by the Islamic and arabised north – would probably have the counterproductive effect of uniting the country behind the NIF, however unpopular. "The push must come from within," says a Khartoum resident.

ISRAELI HIGH-TECH INDUSTRY

Shortage of skilled workers holds back key performer

By Avi Machlis in Jerusalem



Since Magic Software, a small Israeli company, set up the country's first software R&D centre in India earlier this year, high-tech managers in Tel Aviv have been closely monitoring the operation.

Unless steps are taken to alleviate a severe shortage of skilled engineers and programmers in Israel, other companies may follow.

The skills shortage has started to impede growth of Israel's $8.7bn high-tech sector, which has become the main engine driving the economy.

The government has endorsed a long-term plan to double the number of high-tech employees by 2003. However, full capacity is not expected to be reached for about four years. In the meantime, industrialists cannot agree on an interim strategy to cope with the shortfall, which coincides with an economic slowdown. Gross domestic product growth is estimated to dip below 2 per cent this year, the lowest this decade.

"They need the people now," said Zohar Zisapel, chairman of Rad, a group of data communications companies, and head of an electronics industry organisation.

"The right measures have been taken and universities are enlarging their technology departments, but it will take a few years before graduates are on the job."

Today, about 30,000 specialists work in the sector, and 4,000 jobs will be created in each of the next six years.

Over the past decade, technology jobs have been filled by immigrants from the former Soviet Union. Many of the 800,000 who arrived in Israel are skilled engineers, technicians and computer programmers.

In addition, heavy defence spending made the military a "technological incubator" for young entrepreneurs. International Data Corporation, the research firm, says Israel has 135 engineers per 10,000 people, compared to 85 per 10,000 in the US.

As new employees were absorbed, high-tech exports climbed from 23 per cent of industrial exports, excluding diamonds, in 1991 to 34 per cent last year, according to the Israel Export Institute.

But now, with immigration falling, burgeoning technology companies are producing jobs much faster than universities are producing graduates. Recruitment pages in Israel's newspapers are packed with offers for technology jobs, even though unemployment has climbed from 6.7 per cent in 1996 to 8 per cent today. Part of the crisis is attributed to a shift away from traditional sectors such as textiles and agriculture.

"The problem exists because the high-tech industry is so successful," said Mr Zisapel. Over the past five years, the electronics and software industries have grown about 10 and 15 per cent a year respectively. But Mr Zisapel reckons the electronics industry could grow twice as fast if there were enough employees.

The Council for Higher Education, a public body dealing with university budgets, expects 2,280 graduates this year and 2,510 in 1999. The group recently submitted a plan to Benjamin Netanyahu, prime minister, to eradicate the shortage by 2000 and double the high-tech workforce by 2003.

However, since technology workers must train on-the-job for about two years, many companies may not reach full capacity until 2002.

"During the interim period, the government must give permits to foreign workers," said Yoav Shaham, vice president of marketing for Formula Systems, an Israeli software group. "But because the industry is divided, we cannot lobby effectively."

Indeed, some software leaders object to importing labour. "Our biggest asset is ingenuity," said Amiram Shore, president of the Israel Software Association. "If we bring in workers from abroad, we will transfer ingenuity to potential competitors."

The industry's lack of a coherent strategy may explain why Yaakov Neeman, Israel's finance minister, dismissed a request by electronics companies for 2,000 work permits for foreign workers as "absurd" – even though more than 100,000 foreigners legally work in other sectors.

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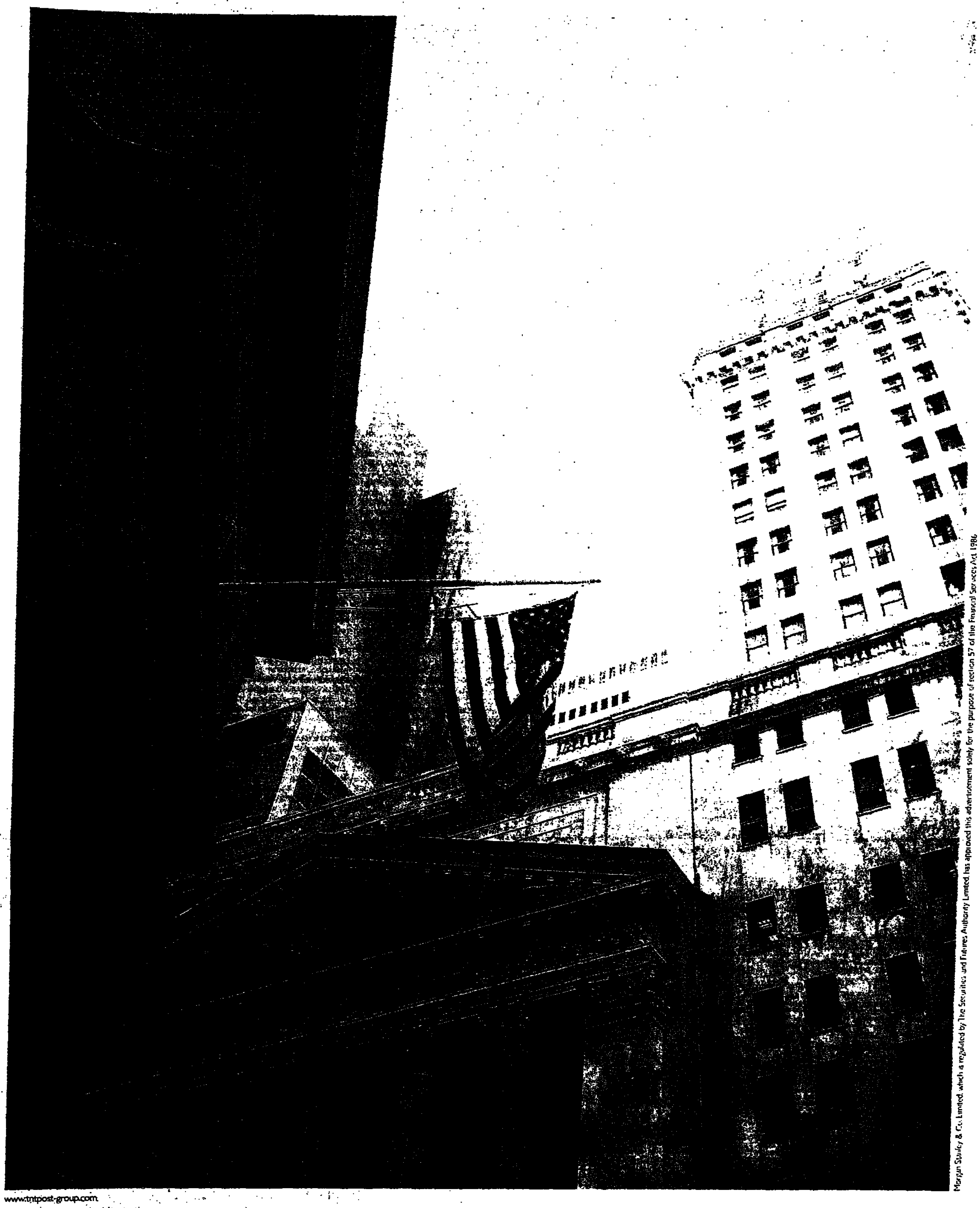

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US weighs up Clinton impact on China

By Stephen Fidler in Guilin, China

As President Bill Clinton left mainland China yesterday for Hong Kong, US administration officials were making their initial assessments about the achievements of his trip.

Mr Clinton needed a success, not least to quieten his critics at home – and, at a first reading, he has exceeded most expectations.

But US officials agree that a final analysis is a long way off. By allowing Mr Clinton to speak uncensored on four occasions to large audiences on Chinese television and radio, the Chinese government offered tantalising glimpses of prospects of greater political openness. But it remains to be seen whether they will crystallise.

Moreover, in what US officials said was a very significant statement, China has said it will "actively study joining" the Missile Technology Control Regime. While the US believes this is a genuine first step towards joining the accord, there is room for disappointment.

A senior administration official said from the US point of view there were "three big-ticket items" at stake at the visit: human rights, arms control and co-operation on regional security and financial issues. A possible fourth that he did not mention – bringing China significantly closer to joining the World Trade Organisation – had fallen by the wayside before the visit.

In meetings with the Chinese on human rights, the US has tried to move "from the retail to the wholesale," the official said. Rather than concentrating on individual cases, the US had tried to focus on groups such as the 50-150 people in prison for non-violent conduct at the time of the 1989 Tiananmen Square massacre and others jailed for offences no longer on the books, such as counter-revolutionary behaviour.

However, at no time, did the administration expect concessions to emerge during Mr Clinton's visit. "We'll have to see what will happen," he said.

US officials are still estimating the effect that Mr Clinton's public appearances – including a surprise debate carried live on television with President Jiang Zemin – will have within China.

They do not know why Mr Jiang gave the go-ahead to televise. But they speculate that Mr Jiang wished to ensure a successful summit by allowing Mr Clinton a public platform for his views within China and Mr Jiang might have felt his own prestige enhanced by debating the Chinese view with Mr Clinton before the Chinese people and the world.

Most intriguing of all, it is possible Mr Jiang was using Mr Clinton to present views never before heard in public in China on the violence in 1989, as a subtle prelude to a shift in the official Chinese stance on the issue.

On arms control issues, a series of agreements by China on non-proliferation and export controls, including the symbolic de-targeting of each other's nuclear warheads, continues a trend. "We have succeeded over the last three to four years in bringing China into global non-proliferation obligations" over a variety of issues, the official said.

The most difficult subject remains Taiwan.

US officials reckon that Beijing is nervous about the prospects for the Taiwan election in 2000 which could bring the pro-independence Democratic Progressive party to power.

However, they appear satisfied for now with preserving the status quo, which though potentially unstable, has seen Taiwan become a thriving economy and democracy and an important trading partner with the US, has allowed China-US relations to improve – and relations between China and Taiwan to become closer, particularly in the economic sphere.

The greatest worry, according to the US official, is the Asian financial crisis.

This has the capacity to damage China's economic growth prospects severely, which would intensify the economic dislocations – including growing unemployment – already under way in the restructuring of China's state-owned enterprises.

US officials said they heard last weekend in the strongest terms yet that China does not see it in its interests to devalue its currency, a move that could set off a spiral of competitive devaluations elsewhere.

The senior administration official said that during the meetings at the weekend Mr Jiang gave every impression of being secure in his position. However, it is clearly his policy to elevate relations with the US to the highest priority in Chinese foreign policy.

Mr Clinton has also invested heavily in China's president. "I think he has put a lot into the relationship with President Jiang," Madeleine Albright, secretary of state, said this week.

And that suggests a further risk to the US if the Asian crisis is not checked. For if an economic crisis were to envelop China, the position of Mr Jiang in office could be significantly less secure. And without him, the continuity of China's approach to the US would be far from certain.

Indonesia protest bill draws criticism

By Sander Thoenes in Jakarta

A draft law on freedom of expression came under attack in Indonesia yesterday from civil rights activists who said it was designed to put a lid on a wave of public protests.

The draft bill, reportedly initiated by the military, would require government permission for gatherings of more than 100 people and ban protests near the state palace, military agencies or places of worship. Marching routes, locations and organisers' addresses would have to be submitted in advance. Smaller protests merely need to be reported in advance.

Indonesian civil rights activists urged the military to demand only advance notice for any protests, rather than permits. They said the new draft still reflected the ideology of former President Suharto and said "freedom of expression" in its title was a misnomer.

While the draft appears more liberal than existing regulations, which, according to a police spokesman, require permission for any gatherings, even private, of over 10 people, the old laws have not been implemented since students took to the streets earlier this year to call for the resignation of Mr Suharto.

His successor, B.J. Habibie, has left hundreds of protests unimpeded, although he had students cleared out of the parliament building shortly after he took office. Police evicted East Timorese pro-independence activists from the foreign office they had occupied, but did not arrest them.

The wave of protests has irked the military, who signalled a tougher line last week by blocking a march of labour activists and posting troops across the capital. Police wounded more than a dozen workers who protested in the city of Bekasi earlier this week.

The army has been more tolerant of student demonstrations than of labour protests, which have become more frequent recently as workers demand higher wages to keep up with inflation of more than 50 per cent so far this year.

Hong Kong's 'heroic' airport ambitions see lift-off into cloudy skies

John Ridding reports CLK should secure the territories role as a service hub

Tung Chee-hwa, Hong Kong chief executive, speaks at yesterday's opening of Chek Lap Kok airport AP

It is a long and inspiring view along the terminal of Hong Kong's new airport building, officially opened yesterday by China's President Jiang Zemin. To the left lie green hills, to the right the seas from which 2,000 acres were clawed back for the project site. Above is a 45-acre roof, covering an area larger than all four of Heathrow's terminals combined.

"The spaces are of heroic scale," says Sir Norman Foster, whose company led the design of Chek Lap Kok (CLK) airport. Underlining the logistical and engineering feats involved, he adds; "I can't think of anywhere else that would take a major international airport, close it down and open another the next day on land which had to be created."

Few question the magnitude of Hong Kong's achievement in building the world's largest airport on what, just six years ago, was a tiny island. But as CLK gets down to business, the more important issue is the economic impact of the project and its success in securing the territory's role as the region's services and transport centre.

With recession looming and the region slipping further into decline, the timing is hardly auspicious. Tourists have stampeded from Hong Kong under the impact of Asia's financial crisis. Business executives are staying home. That means less revenue flowing through the airport and its shopping mall, one of the biggest in the territory.

These problems are not the fault of CLK. But economic pressures have raised concerns about the airport's high costs. With a bill of about HK$70bn (US$9bn), not including the suspension bridges, new railways and urban development, the airport requires higher charges to pay its way. The fee for a four-hour turnaround for a Boeing 747 is about HK$44,000, compared with about HK$33,000 at Kai Tak, the old airport. The new charges are much less than first feared by airlines. But they will add to the pressures they face and weigh in decisions on where to route their services.

Freight handling charges are also set to rise, by up to 30 per cent, as will the price of travel to the airport. The taxi journey is estimated to cost HK$350 from downtown central, more than double the price to Kai Tak. The fare on the new Airport Express train, however, has been temporarily cut from HK$100 to HK$70.

Higher costs and the impact of recession could deal a short-term blow to tourism and retail. The bigger risk is that regional rivals from Singapore to Shenzhen and the new airport in neighbouring Macao will seize a share of Asia's aviation market from Hong Kong. "When times are this hard it is difficult to justify any cost premium," says a director of one regional cargo company.

But for most in the industry, the longer-term logic of the new airport outweighs the risk of short-term setbacks. There have been no defections, says the Airport Authority, while some companies, such as Federal Express, are planning to increase the number of routes they operate through Hong Kong.

Costs will be curbed by greater efficiency and increased competition, according to airport operators. The Kai Tak monopolies of a single cargo handler and a maintenance provider will give way to competition. Federal Express, for instance, will join a consortium of Singaporean, Hong Kong and mainland companies to challenge the traditional dominance of HACTL, Asia's biggest cargo handler. It reckons it will save two hours on processing inbound packages at its new facility.

While the landing charges are higher, the airport authority says the new fees are still about the same as in Singapore and rank just 13th out of the top 20 international airports. HACTL says its 30 per cent increase in cargo handling charges partly reflects a freeze in prices since 1992 and adds that these costs represent less than 1 per cent of total freight shipping costs.

Costs should also be spread over higher volumes – a consideration which lies at the centre of the case for CLK and its aspirations. With its crowded runways and restrictions on night flights, Kai Tak was stuck in a bottleneck. Freight handling capacity at CLK will be 3m tonnes a year at first, double the volume handled last year.

The new airport will be able to cope with 35m passengers a year, about 15 per cent more than Kai Tak. By 2040, operators are forecasting annual traffic of 87m passengers, twice the current combined capacity of Heathrow and New York's JFK airport.

These are bold forecasts. But they are justified in part by Hong Kong's location. As the government points out, more than half the world's population lives less than five hours' flight away. When Asia recovers, that suggests the airport's heroic spaces will surely be bustling. But for the foreseeable future, Asia's revival, not tardy aircraft, is likely to create the frustrating delays at CLK.

Malaysia suffers embarrassment

Malaysia's M$9bn (US$2.2bn), high-tech international airport opened this week with a far-reaching computer failure, turning what was to be a moment of national pride into a national embarrassment, **Sheila McNulty reports.**

The transport minister, Ling Liong Sik, said yesterday that communication lines for the complex computer system orchestrating flight information, check-in and luggage were not installed properly and that difficulties would continue.

Flights were delayed for hours, some aircraft were forced to circle for up to an hour before landing, others departed without food and all the while passengers waited hours for their luggage.

Staff had difficulties communicating information on the amount of fuel required by aircraft, their assigned bay numbers and passenger lists. They have had to operate manually, with the aid of mobile telephones.

Outside, insufficient transport resulted in long queues for rides to the capital while those who drove had to grapple with a faulty automatic parking pay system.

Malaysia delayed its launch for several months but opposition leaders said the government's ego forced it to move ahead this week, without thoroughly testing the system, to beat the opening of Hong Kong's new airport. They said Malaysia should have waited until the system was working properly.

The administration has been hoping the 10,000-hectare airport will replace those in Singapore and Bangkok as the regional hub. It therefore pressed on with construction even as it delayed other big projects to cut costs during the economic crisis.

India claims loans 'rebuff' N-test critics

By Mark Nicholson in New Delhi and Mark Suzman in Washington

India has welcomed a second batch of World Bank loan approvals within a week as a "rebuff" to those believing post-nuclear test sanctions would harm the Indian economy.

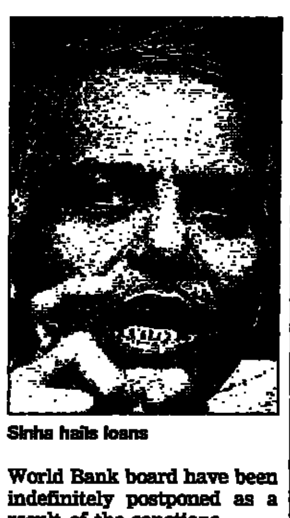
The Bank's board on Tuesday approved a total of $506.4m in fresh lending for poverty, nutrition, health and rural development projects, following last week's endorsement of a $543.2m loan to support similarly "poverty focused" programmes in Andhra Pradesh state.

Indian officials hailed the lending as vindicating their view that economic sanctions imposed by some countries in condemnation of India's nuclear tests – which include US and Japanese undertakings to vote against all but "humanitarian" lending from international agencies – would have "no impact whatsoever" on this year's budgetary forecasts.

"This is a rebuff to those who've been claiming that we'll be severely hit by the sanctions," Yashwant Sinha, finance minister, told the Economic Times newspaper.

However, diplomats said the loan approvals were consistent with a previously stated policy by the Group of Eight leading industrial nations to allow humanitarian aid to India and Pakistan. Broader sanctions are still in place against both countries following their decision to set off nuclear bomb blasts.

They said the loans should "in no way" be interpreted as a change in the official position on sanctions. Other officials also pointed to the fact that nearly $1bn in other loans for several energy and transport projects that had been scheduled for consideration by the



Sinha hails loans

World Bank board have been indefinitely postponed as a result of the sanctions.

The World Bank confirmed there were no serious disputes about the newly approved loans. "There was broad consensus that these payments are poverty-focused and meet basic human needs," a spokesman said.

The bank's loan package included a $300m credit for a national programme for child health and nutrition, a $76.4m loan also for health and nutrition in Orissa state, and a $130m package to support agricultural reforms in Uttar Pradesh state.

The Japanese ambassador to India said yesterday the cloud of sanctions over India was unlikely to clear soon because of New Delhi's rigid stand on its right to nuclear weapons capability.

"I suspect the clouds may not clear up soon," Hiroshi Hirabayashi told business leaders in the Indian capital. "The Indian government is maintaining a rigid stance, making it uncertain when sanctions by various countries could be lifted."

Mr Hirabayashi said that while the Indian government had expressed its confidence in facing up to sanctions, the impact of the tests had cast a shadow on the domestic stock and currency markets.

NEWS DIGEST

'NOTHING CAN MAKE LIFE EASIER'

Rubin says Asia will have to bite the reform 'bullet'

Robert Rubin, US Treasury secretary, has returned from a week-long tour of Asia convinced that the the region's sick economies have no choice but to bite the bullet of harsh reforms if they want to recover.

The tour of China, Malaysia, Thailand and South Korea came on the anniversary of the start of a financial storm that has swept through the region and rattled emerging markets throughout the world.

Mr Rubin concluded there was nothing he could offer to make life easier for the fallen Asian tigers. "The question I had on my mind was whether people in the region really realise the difficult economic conditions that inevitably lie ahead. And the answer, though it varies from place to place, is yes," he said.

The International Monetary Fund has drawn up rescue deals for the three hardest-hit nations – Thailand, Indonesia, and South Korea – worth about $120bn to help them get back on their feet. But the money comes with strings attached: harsh reform programmes aimed at weeding out weak banks, strengthening financial rules, doing away with cronyism and opening markets to foreign competition. **Reuters, New York**

VIETNAMESE WHITE PAPER

Defence aspirations unveiled

Vietnam has offered a rare glimpse into its traditionally secretive military mindset with publication of its first White Paper on defence. The 33-page document, "Vietnam – Consolidating National Defence, Safeguarding the Homeland" was thin on specifics and devoid of statistics but stressed the military's subservience to the ruling Communist party.

"For Vietnam, the most fundamental principle is to ensure and strengthen the absolute, direct and overall leadership of the Communist party of Vietnam over the People's Armed Forces," the paper said.

The White Paper will be presented to a ministerial conference of the Association of South East Asian Nations (Asean) in Manila later this month in a bid to bolster security dialogue, a military analyst said. **Reuters, Hanoi**

NORTH KOREAN SUBMARINE

Bodies to be sent home

The UN Command and South Korea yesterday agreed to repatriate the remains of nine North Koreans found dead in a northern submarine captured last week in southern waters.

The UN said it presented the results of its investigation to the North Koreans, concluding that the crew of the North Korean submarine had committed suicide.

Kim Dae-jung, the South Korean president, said earlier this week the 70-tonne "Yugo-class" submarine, discovered foundering at sea entangled in fishing nets on June 22 had violated the armistice which ended hostilities in the 1950-53 Korean war. Mr Kim, however, has sought to play down the incident as part of his "sunshine" policy toward the North. **Reuters, Seoul**

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NAZI GOLD NEW YORK STATE AND NEW YORK CITY COMPTROLLERS PLAN ACTION FROM SEPTEMBER TO SPEED UP SETTLEMENT

Swiss banks face phased US sanctions

By John Authers in New York and William Hall in Zurich

The comptrollers of New York state and New York city yesterday announced a phased package of sanctions against Swiss banks and other Swiss companies. They believe the measures will help to speed an international settlement over the issue of gold looted by the Nazis which passed through the Swiss financial system.

No sanctions will start until September, providing a two-month period in which local politicians hope the different sides can hammer out a settlement.

They made clear their dispute was not just with UBS and Credit Suisse, the two Swiss banks which have been sued by holocaust survivors in New York, but with the Swiss government for refusing to become a party to negotiations.

They raised the possibility that their pension funds might sell shares in all Swiss companies if a settlement has not been reached by July next year.

Alan Hevesi, comptroller of New York city, said the programme of sanctions was "a last resort forced upon us by the continuing failure of the Swiss government to participate in the negotiations or even support an agreement". He described the actions as prudent and responsible.

Carl McCall, the comptroller of New York state: "This is about justice long delayed. The average age of holocaust survivors is 81.

"They cannot wait any longer. We will do whatever is necessary to bring a prompt resolution."

The action is due to take effect in several stages:

● On September 1, they will bar over-night investments with Swiss banks (at present the New York pension funds hold $150m in UBS commercial paper, and $71m through Swiss Bank Corporation). They will also be barred from underwriting new letter of credit arrangements, while all Swiss investment firms and banks will be barred from underwriting or supporting new variable rate debt transactions. The fees pension funds are paying for letters of credit this year come to $790,000.

● On November 15, Mr McCall and Mr Hevesi will recommend to the pension systems for which they have responsibility that all Swiss companies are excluded from taking on new fund management contracts. They will also bar existing investment managers from doing any trades through Swiss brokerages. Last year the state pension schemes paid Credit Suiss First Boston $258,000 in sales credits. It also carried out $430m in securities lending through Credit Suisse, and $426m in lending through Swiss Bank Corporation, which has since merged with UBS.

● On January 1 next year, they will recommend to their pension systems they cancel all exiting investment management contracts with Swiss companies. Mr McCall is sole trustee of the New York state pension system, which manages over $100bn. Credit Suisse First Boston manages $740m for the central retirement fund.

● Also on January 1, they will ask New York's state legislature to introduce selective purchasing laws respecting all Swiss companies, not only those involved in financial services, which do business in the state.

● On July 1 next year, they will consider "divestment by the pension funds in all Swiss firms". The state pension scheme currently has holdings in Swiss companies with a market value of $416m.

While the New York politicians have attempted to take a lead on this issue, local politicians in several other states have proposed sanctions, and only agreed to suspend them while the talks to reach a settlement moved ahead.

Matt Fong, treasurer of California, which has the largest public sector pension schemes in the US, had already announced his funds would impose a moratorium on investment into Swiss "Yankee" dollar-denominated certificates.

Swiss bank shares, which have been nudging their all-time highs, fell back slightly yesterday. UBS closed SFr11 lower at SFr579 ($388.50), while Credit Suisse ended SFr4.5 down at SFr350.

Analysts believe the banking business of the various US states threatening sanctions is of only marginal importance to the profitability of UBS and Credit Suisse. Madeleine Hofmann, of Credit Suisse First Boston, said that many of the transactions involved were "business they would want to exit anyway". But if US investors decided to sell Swiss bank shares then this would have a much bigger impact on Swiss banks.

The Swiss are conscious the US authorities have a history of blocking assets of sovereign countries. In 1979 President Carter froze $12bn of Iranian assets after the sacking of the US embassy in Iran. It took years to untangle this.

The greatest fear is of a US "presidential order" blocking the US assets of the Swiss national bank, which keeps a large part of its gold reserves in the US.

Although this is highly unlikely, it has always felt the most likely attack would be by way of a private class action seeking a temporary seizure of its US assets.

Watching brief: Members of the monitoring committee, (from left) Matt Fong, Alan Hevesi, Barbara Hafer and Carl McCall AP

US unemployment up as job growth cools

By Gerard Baker in Washington

US unemployment edged up last month as the recent frenetic pace of job growth slowed in response to the widening impact of the Asian financial crisis.

The jobless rate rose to a seasonally adjusted 4.5 per cent in June from 4.3 per cent in May, the Labour Department reported yesterday. Overall the economy created 205,000 jobs last month, but, as has been the case for most of this year, the increase masked a wide and growing gap between the manufacturing and service sectors.

Manufacturing employment fell for the third consecutive month, by 29,000 jobs, but service jobs were up by 215,000. There is now little question that manufacturing activity has slowed to a crawl over the spring and early summer, largely as a result of the Asian crisis which has depressed exports and encouraged imports.

But the domestically driven services sector remains in robust shape, helped by continuing strong consumer demand. Services employment has risen by more than 1.3m since the start of the year.

How this tension between the traded and non-traded sectors plays out over the next six months will be crucial to overall US economic prospects and to the Federal Reserve's policy judgment of domestic inflationary pressures.

In spite of the continuing job growth, wage increases remain relatively modest. Yesterday's report said average hourly earnings increased 4.1 per cent in the year to June. Earnings have been accelerating steadily for the last two years, but the latest data are hardly sufficient to support fears of a generalised surge in wage pressures as a result of the tight labour market.

Commenting on the figures, Katharine Abraham, commissioner of the Labour Department's bureau of labour statistics, said the unemployment rate was "still quite low by recent historical standards".

The figures also showed a sharp divergence between the private and public sectors. Government jobs declined by 33,000 last month, mostly in education, while private sector employment grew by 238,000.

The figures do not show the effects of the strike at General Motors, which has idled at least 160,000 workers, as industrial action began after the monthly survey was under way.

Separately, the Commerce Department reported new orders for manufactured goods dropped by a seasonally adjusted 1.6 per cent in May, the first decline since February and a further indication of the slowdown in the manufacturing sector.

NEWS DIGEST

ATTEMPT TO RESOLVE LITIGATION

Mediator offers breast implant compromise

A long-running battle to resolve multi-billion dollar breast implant litigation could be settled in the US next week if Dow Corning and lawyers representing claimants agree a deal proposed by Francis McGovern, a federal mediator trying to negotiate a settlement acceptable to both sides. Mr McGovern said this week he had submitted a "take it or leave it" proposal and given the parties until Tuesday to accept it.

If they do, it will open the way for Dow Corning to draw up a new settlement and submit it to a vote by the 177,000 women in the US and worldwide who have made breast implant claims against the company. If the deal is accepted by women accounting for two-thirds of the sums that would be paid out to meet claims, it will form part of a reorganisation plan allowing Dow Corning to emerge from bankruptcy.

Dow Corning, a joint venture between Dow Chemical and Corning, went into chapter 11 bankruptcy protection in May 1995 after being hit by a wave of lawsuits relating to silicone breast implants supplied by the company before it stopped making them in 1992. **Richard Tomkins, New York**

SOCIAL SECURITY

Brazil reform bill on hold

The government of Brazil has been forced to abandon its controversial social security reform bill until after the October general elections, following its failure to approve the final amendments to the legislation.

The bill, which economists believe is crucial to government efforts to cut its large budget deficit, will not be approved until at least November, assuming the government of Fernando Henrique Cardoso, Brazil's president, wins re-election.

With many members of congress already campaigning for the October elections, the government was unable to secure sufficient numbers of supporters in the lower house to guarantee success in the two remaining votes.

The reform, which seeks to establish a minimum retirement age and reduce generous civil service pensions, was first presented to congress over three years ago, but has faced persistent opposition and delays. **Geoff Dyer, São Paulo**

PRESIDENTIAL ELECTION RUN-OFF

Ecuador subsidy reinstated

Following a wave of popular protest led by Ecuador's two presidential election candidates, the government of President Fabian Alarcon yesterday reinstated the gas subsidy withdrawn only last week.

Gas prices rose fourfold to 20,000 sucres or $3.80 for a 15kg cylinder used by most Ecuadoreans for cooking, after the subsidy was cut. But with presidential elections on July 12 the two candidates – Jamil Mahuad, Quito's mayor and Alvaro Moboa, the populist businessman – campaigned heavily against the measure. "There was no sense in my insisting on this action if it was going to be without effect in 40 days' time," said Mr Alarcon, who leaves office on August 10. Analysts had welcomed withdrawal of the subsidy as part of a long overdue overhaul of public spending.

It would have cut $50m this year from a fiscal deficit expected be $1.2bn or 5.6 per cent of gross domestic product. **Justine Newsome, Quito**

STERLING AND INDUSTRY VAUXHALL CHAIRMAN UPBEAT AS COMPANY PLANS TO MEET DEMAND FOR ASTRA CAR

GM to expand output and jobs

By John Griffiths in London

Rising demand throughout Europe for General Motors' new Astra car is to lead to big expansion at the company's Vauxhall factory at Ellesmere Port in north-west England.

About 850 extra workers will be required in the next few months for a third shift at the plant. A further 160 will supplement labour on the two existing shifts. The extra jobs will raise the workforce at the plant to 5,200.

The decision to go to a third shift comes far earlier than expected. "We believed that in the long term there could be the capability for Ellesmere Port to go to a third shift," said Nick Reilly, Vauxhall chairman. "But there were no plans to do so until very recently."

The move comes despite the continuing strength of sterling and renewed warnings by much of UK industry about the threat it poses to manufacturing competitiveness. "We do expect the pound to weaken a bit, but not by much, and we have taken the decision to go ahead while recognising this fact," said Mr Reilly.

Chief trade minister Margaret Beckett said: "This announcement further reinforces the UK's place as the number one location for inward investment in Europe."

The increase is the latest of several expansionary moves in the UK motor industry. Less than a month ago, Honda announced that it is to introduce a third model at its factory in south-west England.

Vauxhall's third shift will increase capacity at Ellesmere Port, which is to build van and saloon versions of the Astra as well as the current hatchback already in production, to 180,000 vehicles a year from the current 140,000 on two shifts.

Mr Reilly said yesterday that the additional 40,000 vehicles would require extra investment in plants and facilities of only £5m ($8.35m). The factory is to be the sole source of supply for Astra vans and will contribute to total European Astra production of more than 500,000 units a year. Astras are also being built in Germany and Belgium.

Vauxhall has already invested £300m in the Astra at Ellesmere Port. The latest decision to expand output should provide a further morale boost to Vauxhall's workforce in southern England where workers build the larger Vectra model. They were told recently that they could be assured of building the current Vectra's replacement as a result of signing a new working practices and productivity agreement.

Mr Reilly that additional output at Ellesmere Port should encourage UK components makers to step up efforts to secure their business with Vauxhall, after recent strong warnings from senior purchasing executives that the productivity of many UK suppliers must improve sharply.

They otherwise risk losing a sizeable slice of the £1.1bn Vauxhall and GM spend with UK suppliers each year, said John Gildea, director of supply.

Pricing of Murdoch papers to be probed again

By John Gapper, Media Editor

The Office of Fair Trading yesterday announced a fourth inquiry into alleged predatory pricing by News International, an offshoot of Rupert Murdoch's News Corporation, amid pressure from Labour MPs for the government to take action.

The company owns The Times, a 210-year-old daily newspaper which has more than doubled its circulation in the past five years, and The Sunday Times, the UK's top-selling "heavy" Sunday paper.

John Bridgeman, director general of fair trading, said he wanted "a thorough assessment of an issue which continues to cause debate, and is of widespread interest", despite having cleared News International three times.

Labour MPs have put forward an amendment to the Competition Bill passing through parliament that would enshrine curbs on price cutting by national newspapers.

The campaign against News International has been led by broadsheet national newspapers that have suffered from a rise in the sales of The Times following price cuts.

Brendan Hopkins, chief executive of Independent Newspapers UK, which owns The Independent and Independent on Sunday, said the inquiry was welcome but legal changes were required to prevent pricing of newspapers at below cost.

Mr Hopkins said The Times would have to sell for about 80 pence ($1.34) on Saturdays rather than the current 50 pence, to cover its costs from total revenues. "We've had five years of selling below price, and it must be stopped," he said.

However, a senior executive at another broadsheet said he believed the inquiry was not likely to lead to pricing curbs.

"There is nothing more frustrating than pursuing lost causes, and this is a lost cause," he said.

News International said it was confident that Mr Bridgeman would again conclude that the pricing policy of The Times was "a legitimate commercial strategy". It had been attempting to catch up with sales of The Daily Telegraph.

The OFT examined the pricing policies of The Times in 1993, 1994 and 1996. Each inquiry concluded there was no evidence of predatory pricing, but the OFT said it was asking for more information from News International.

NEWS DIGEST

PENSIONS MIS-SELLING

Insurance firm doubles compensation estimate

The Prudential more than doubled its estimated bill for compensating victims of pensions mis-selling from £450m ($751m) to £1.1bn yesterday but rejected accusations that its policyholders were being forced to meet the cost. The increase came as Sir Peter Davis, the insurer's chief executive, faced two hours of tough interrogation by the Treasury committee of the House of Commons investigating the mis-selling scandal.

The MPs were particularly incensed by the fact that Mick Newmarch, Sir Peter's predecessor, offered the committee "total reassurance" in 1994 that the Prudential had not been guilty of mis-selling. In fact, the insurer is the worst offender in the pensions industry in terms of the number of people affected. It has already had to review the cases of more than 70,000. The Prudential denied that it would use policyholders' funds to pay the bill. **Jean Eaglesham, London**

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LONDON THEATRE

Trust saves Old Vic for drama

The Old Vic, one of London's most famous theatres, has been saved for drama by a charitable trust chaired by Alex Bernstein, the former chairman of Granada, which has bought it for £3.5m ($5.8m).

There were fears that the Old Vic – which was put up for sale by Ed and David Mirvish, its Canadian owners, last year – would be exploited as a populist entertainment venue. David Mirvish said yesterday he had accepted a lower price than the £7m sought for the complex because he wanted the Old Vic to remain a theatre that presented serious works

During the 16 years the Mirvishes owned the Old Vic, the theatre put on 80 productions, mainly classical works and new drama. It became a rival to the nearby Royal National Theatre, which had been based at the Old Vic before its south bank complex was opened. **Antony Thorncroft, London**

REGIONAL INVESTMENT

Spending plans alarm MPs

Northern MPs are seeking urgent talks with Gordon Brown, the chancellor of the exchequer, over suggestions that the region might lose substantial regeneration funding under the government's comprehensive spending review to be announced this month.

The government says cuts of about 30 per cent in England's regional selective assistance budget of £133m ($222m) a year are being considered. Jim Cousins, MP for Newcastle Central, in north-east England, said yesterday that the grants had been "absolutely crucial" in securing inward investment and expansion among companies in the north, such as Nissan, the carmaker. **Sheila Jones; Brian Groom**

MILLENNIUM DOME DISPUTE

Company issues new writ

A German company originally contracted to build the roof of the Millennium Dome yesterday took further legal action against its organisers, issuing a writ claiming £3.2m ($5.34m) damages. Koch Hightex is suing the New Millennium Experience Company for breach of contract, claiming it unfairly gave the work to a Japanese-owned company after scrapping plans for a PVC roof and opting for the Teflon-coated skin now in place.

Yesterday's action follows a first writ issued last year for £1.2m, bringing the total claimed to £4.4m plus interest and costs. New Millennium said there had been discussions about compensation and it was surprised that Koch Hightex had issued a writ before the discussions had been concluded formally. **Brian Groom, London**

JOURNALISM AWARD

FT writer honoured

Jean Eaglesham, a Financial Times personal finance writer, has been named national journalist of the year by the Association of Investment Trust Companies.

NORTHERN IRELAND NEW VIOLENCE FEARS

Blair flies in to help avert confrontation

By John Murray Brown in Belfast

Tony Blair, the UK prime minister, flew into Northern Ireland last night, joining local politicians and churchmen in an intense diplomatic effort to defuse a looming confrontation over the proposed re-routing of this weekend's traditional parade by the Protestant Orange Order at Drumcree.

As plans were being finalised for a major security operation to prevent a potentially violent stand off between police and Orangemen, Mr Blair held crisis talks with David Trimble, the newly appointed first minister of the Northern Ireland assembly and Seamus Mallon, his nationalist deputy, to explore the possibility of a last-minute compromise which would allow the march to go ahead.

However the prime minister's London office played down suggestions of a compromise deal being imminent. Security officials said that, short of a last-minute agreement between Orangemen and local nationalist residents, they were determined to implement the independent Parades Commission's ruling. The commission ruled on Monday that the Portadown Orange Lodge be barred from parading down the mainly Roman Catholic Garvaghy Road – scene of violent clashes for the last two years.

Mr Blair's visit came as church leaders joined to condemn the overnight firebomb attacks on 10 Roman Catholic churches, which police blamed on dissident "loyalists" seeking to inflame sectarian tensions ahead of Sunday's disputed march.

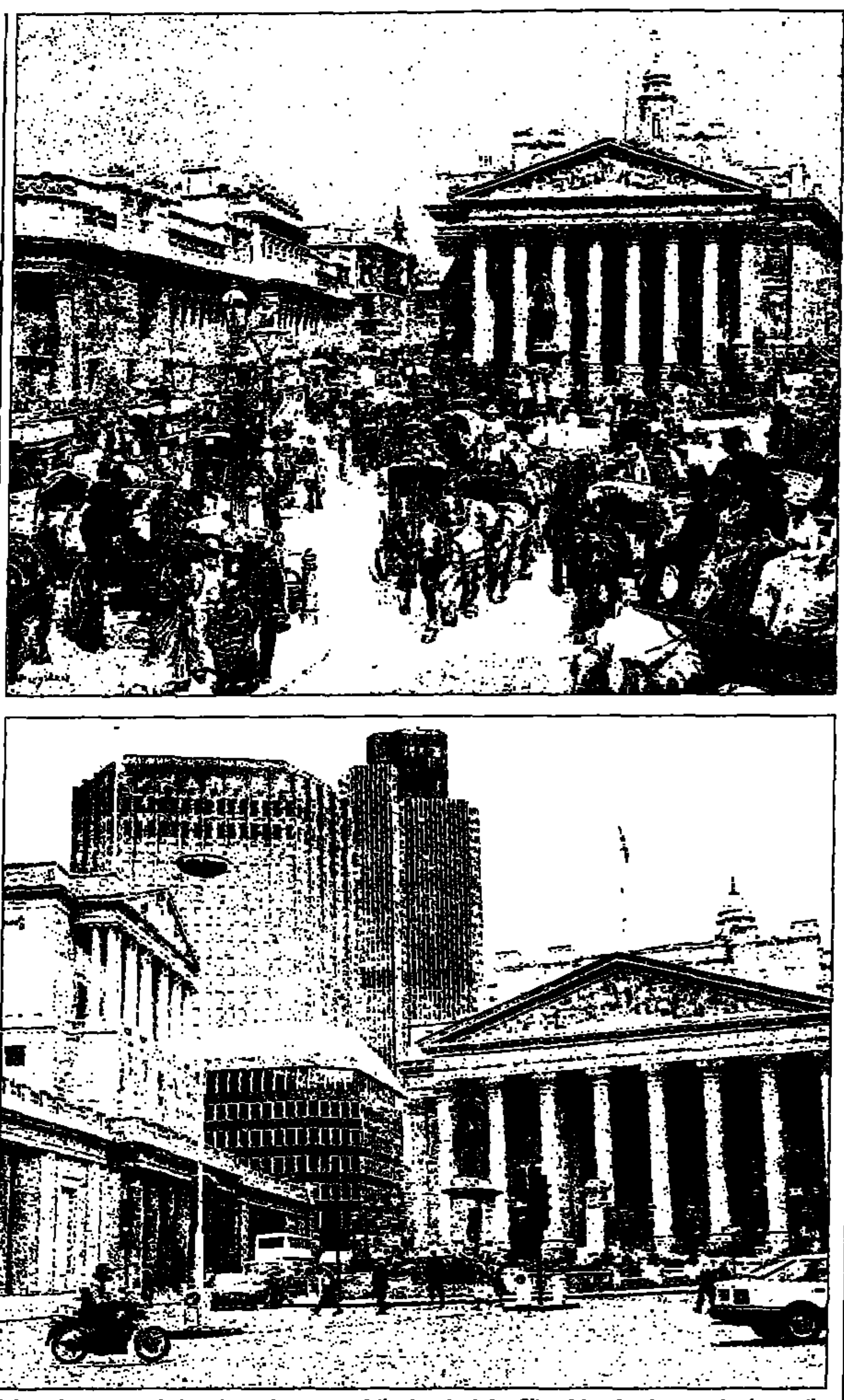
On arriving from London, Mr Blair went straight to the small church of St James's, one of 10 attacked during the night. The violent anti-nationalist paramilitary group the Loyalist Volunteer force was thought to be responsible.

"This is the past in Northern Ireland and we are trying to give people a future," said Mr Blair. After walking around the wrecked 200-year-old chapel with Mo Mowlam, chief Northern Ireland minister in the UK government, and parish priest Father John O'Sullivan, the prime minister pledged that it would be rebuilt and that extremists "would not win".

The police and British army are preparing to close approach roads to the Portadown area to prevent a repeat of the 1996 stand-off when thousands of Orangemen massed at Drumcree – eventually forcing the region's police force to reverse its decision and force through the parade.

"We will be sealing the area like an oyster so that Orange protestors just won't be able to reach the area," said a senior security official. Supporters of the Portadown Orangemen are expected to attempt to stretch police resources by staging protests across Northern Ireland.

Officials of the government of the Republic of Ireland said there was little sign of an accommodation between local Orangemen and the residents.



A long forgotten painting shows how part of the heart of the City of London has survived over the past 110 years while its background architecture has changed dramatically, Antony Thorncroft writes. The view of the Bank of England and the Royal Exchange (top), painted in 1887 by William Logsdail, is regarded as his masterpiece. Found in a recent valuation of the owner's family's property, it has been sold for £483,000 ($806,600) at a south-west England auctioneers. The price, over double the estimate, was the highest paid for a work of art outside London. The buyer was an anonymous private collector.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for Trading on 02.07.98 — Final Prices for Trading on 05.06.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	15.21	13.17	13.19	1.43
0100	12.03	13.17	13.19	1.43
0130	12.03	13.17	13.19	1.43
0200	12.26	13.17	13.19	1.43
0230	12.26	13.17	13.19	1.43
0300	12.26	13.17	13.19	1.43
0330	12.26	13.17	13.19	1.43
0400	12.26	13.17	13.19	1.43
0430	12.26	12.95	12.97	1.43
0500	12.03	12.95	12.97	1.43
0530	9.40	9.55	9.55	0.00
0600	9.40	9.56	9.56	0.00
0630	9.40	9.64	9.64	0.00
0700	9.85	9.70	9.70	0.00
0730	15.27	20.28	20.31	1.43
0800	16.39	22.12	22.30	1.43
0830	18.18	26.17	26.63	1.43
0900	19.04	28.47	29.48	1.43
0930	20.24	42.32	43.83	1.43
1000	21.30	43.83	45.65	1.43
1030	22.49	44.29	46.24	1.43
1100	23.40	44.56	46.56	1.43
1130	24.67	45.76	48.02	1.43
1200	25.39	66.27	68.59	1.43
1230	24.39	64.74	66.68	1.43
1300	22.11	61.60	62.89	1.43
1330	19.16	26.97	27.59	1.43
1400	22.34	22.61	22.89	1.43
1430	21.94	21.36	21.52	1.43
1500	21.75	20.76	20.87	1.43
1530	21.80	20.67	20.75	1.43
1600	15.91	20.65	20.73	1.43
1630	15.93	20.71	20.80	1.43
1700	17.67	20.76	20.87	1.43
1730	21.67	20.71	20.80	1.43
1800	15.61	20.61	20.67	1.43
1830	15.57	19.90	19.93	1.43
1900	15.37	19.88	19.90	1.43
1930	21.42	19.54	19.56	1.43
2000	21.42	23.62	23.64	1.43
2030	14.00	23.82	23.84	1.43
2100	14.00	13.63	13.65	1.43
2130	14.00	22.28	22.30	1.43
2200	23.87	109.01	109.03	1.43
2230	23.87	109.01	109.03	1.43
2300	23.87	22.28	22.30	1.43
2330	15.20	14.20	14.22	1.43
2400	15.20	14.20	14.22	1.43

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. [illegible] Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system [illegible] Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. [illegible] Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 5488 between 8.30am and 5.15pm Monday to Friday.

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Emu supporter hits at European Central Bank

By Robert Chote, Economics Editor

The European Central Bank's lack of openness, transparency and accountability could undermine the viability of the looming single currency, according to Professor Willem Buiter of the monetary policy committee of the Bank of England, the UK central bank.

Prof Buiter, an economics professor at Cambridge University, who is a supporter of monetary union and British participation in it, warned that, while the institutional framework for monetary policy in Britain was far from perfect, it was much better than that of the ECB. Prof Buiter was speaking a meeting organised by the Centre for Economic Policy Research and Morgan Stanley Dean Witter.

Prof Buiter criticised the ECB's plans not to publish the minutes of its policy-making meetings for 17 years, arguing that central bank independence could not survive without openness and transparency. He also argued that the way in which ECB council members vote should be made public.

The success of monetary union would also be threatened if countries backpedalled on structural reform, Prof Buiter said. "There are signs of post-Maastricht fatigue syndrome in a number of countries."

But he added that it was wrong to argue that Europe needed a larger federal budget to make monetary union work, as long as governments had flexibility to borrow when the single interest rate was too high for domestic conditions.

Prof Buiter also backed the UK government's determination not to be forced into a revamped European exchange rate mechanism as a precursor to membership of the single currency.

● The increasingly heated debate over the single currency within business will intensify today when 100 business figures put their names to a study warning against British membership, David Wighton and Liam Halligan write.

The report, entitled The Euro: Bad for Business, concludes that joining Emu would drive up tax and interest rates and threaten the City's competitiveness.

The business leaders backing the study range from Sir Alick Rankin, chairman of General Accident, and John Robins, chief executive of Guardian Royal Exchange, to Ian Hanford, chairman of the Federation of Small Businesses. It will also be supported by Francis Maude, the opposition Conservative party's shadow chancellor of the exchequer, who yesterday strongly attacked claims that the City of London would suffer if sterling stayed out of the single currency.

London 'Tube' in pre-privatisation split

By Charles Batchelor, Transport Correspondent

London Underground, the state-owned operator of the underground railway network in the capital – "the Tube" – is to split itself next year into separate train operating and infrastructure companies in preparation for partial privatisation in 2000.

Managers will spend the next few months preparing the network to begin "shadow running" to gain experience of the split. Train operations will remain in the public sector while infrastructure will go to private operators. News of the moves came amid growing concern that the April 2000 deadline for restructuring the network, set by the government three months ago, will not be met.

Some of the companies interested in taking over part of the infrastructure say that the surveys which will be required of the railway's extensive underground infrastructure and the selection of the winning bidder or bidders will take until 2001.

They are concerned that the government and London Underground have not yet even decided on whether infrastructure is to be split into one, two or three concessions. The government hopes to meet the railway's funds shortage by letting 20 to 30-year concessions to private sector companies which would be expected to invest £7bn ($11.7bn) over the first 15 years.

John Prescott, deputy prime minister and chief transport minister, is known to favour a single concession, as are many Underground managers. But the Treasury wants to break up the network to create greater competition.

If bidders are forced to carry out their own individual investigations of the network and its finances, the unsuccessful ones would demand that the government met their costs, said one. One proposal is for an independent survey, details of which would be provided to all bidders.

Bidders are also concerned over a suggestion from Denis Tunnicliffe, chief executive of London Transport, which oversees the Underground, that the lengthy investigation could be avoided by giving the shadow infrastructure company, or companies, a ready-made contract to maintain the network. The private sector would then bid for this company, basing the value of its offers on the type of contract and the extent to which the successful bidder would be exposed to the risk of cost overruns.

Possible bidders for the infrastructure concessions are to be invited to a conference on July 16. Several engineering and construction groups, as well as Railtrack, the privatised owner of the national rail infrastructure, are believed to be interested in bidding for Tube infrastructure concessions.

Workplace whistleblowers to find law on their side

Tough legislation to protect outspoken employees from victimisation has been given final assent, **Andrew Bolger** reports

Employees who speak up about crime, fraud or unsafe practices in their workplace will soon be protected by the strongest "whistleblower" protection legislation in the world. A bill supported by the government, opposition parties, the Confederation of British Industry and the Trades Union Congress passed its last legislative hurdle yesterday and will take effect in January.

The bill will protect workers from being dismissed or penalised for disclosing information they reasonably believe exposes financial malpractice, miscarriages of justice, dangers to health and safety, abuse in care, breaches of the civil service code, risks to the environment and cover-ups.

Unless the whistleblower reasonably believed that he or she would be victimised, the concern must have been raised first with the employer or a prescribed regulator.

This requirement will not apply if the matter is exceptionally serious, nor will it apply where there is no regulator and the whistleblower reasonably believed there would be a cover-up.

Tom Devine, legal director of the Government Accountability Project, a US whistleblowing campaign, said the UK legislation was a "landmark first step". He said the British bill was stronger than US legislation in three key areas: its application across all sectors; coverage of malpractice overseas; and controls on gagging clauses.

The bill is largely the work of Public Concern at Work, an independent charity whose founders include Lord Borrie, a former director-general of the Office of Fair Trading.

He told the House of Lords, the unelected upper chamber of parliament, that official reports in recent years into a number of cases all revealed that staff were "well aware of the risk of serious physical or financial harm but that they were either too scared to raise their concern or that they did so in the wrong way or with the wrong person."

He cited the explosion 10 years ago on the Piper Alpha oil platform in which more than 150 men died and a train crash at Clapham Junction station in south London in 1988 in which 35 people died. He also mentioned scandals at the Bank of Credit and Commerce International; the business empire created by Robert Maxwell; and the collapse of Barings, the merchant bank.

Lord Borrie said the new law would encourage people to recognise and identify with the wider public interest, not just their own private position.

"It will reassure them that if they act reasonably to protect the legitimate interests of others, the law will not stand idly should they be vilified or victimised," he said.

If whistleblowers are victimised they will be able to claim compensation at an industrial tribunal. Awards will be uncapped and based on the loss suffered.

When whistleblowers are sacked unfairly and the tribunal does not make a re-employment order, the government is consulting on whether they could make a claim for aggravated damages or receive penalty awards of between £17,000 ($28,400) and £35,600.

The law will apply whether or not the information is confidential and regardless of whether the malpractice is in the UK or overseas. Gagging clauses in employment contracts and severance agreements are void when they conflict with the bill's protection.

The bill also covers trainees, agency staff, contractors, home workers and the state health service. It does not cover the genuinely self-employed, volunteers, the intelligence services, the armed forces or the police, although the government has promised to give the police equivalent protection.

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Bryan: "We want our products to be innovative and original. And there is nothing more innovative and original than a Degas, a Gauguin, or a Monet" Ashley Ashwood

BUSINESS BREAKFAST JOHN BRYAN, SARA LEE

The art of brand promotion

Lucy Kellaway talks to the man who gave away priceless paintings in an attempt to increase awareness of his products

John Bryan, CEO of Sara Lee Corp, has just given away some of his company's most famous brand names. Not Wonderbra, nor Kiwi shoe polish, nor Douwe Egberts coffee, nor Pretty Polly tights, nor any of the other names you might associate with his $20bn consumer goods business. Instead, he has given away a couple of Pissarros, a Degas or two, a Picasso and three dozen other priceless paintings to galleries in the US and Europe. Those are not brands, you might protest, they are works of art. Mr Bryan does not agree.

"I can't think of anything that is more of a brand than a painting," he declares, leaning back in his chair in the private room at Claridges where we are having breakfast.

"It is the intangible value that comes from the name Picasso or Pissarro that creates the value." He crosses his legs taking care not to crease his immaculate dark suit. I protest, but this is not a discussion. He is telling me the facts. "Don't think for a minute that if you had a fake Van Gogh on the wall you'd enjoy it just as much," he goes on. "And a Sara Lee cake without the Sara Lee name doesn't taste as good."

I see, I say, even though I don't. Is he really saying that his task in building up brands at Sara Lee is just the same as Picasso's task in painting pictures?

"Absolutely." He nods gravely. "We want our products to be innovative and original. And there is nothing more innovative and original than a Degas, a Gauguin or a Monet."

John Bryan is not only remarkable for having just given away a valuable art collection. He is an unusual CEO altogether. First, he has been at the top for a long time – 23 years as CEO. Moreover, he has never climbed a career ladder. "I have the good fortune of having started my life with a dose of nepotism," he says evenly. His father brought him into the family food business which was then bought by Sara Lee. The young Mr Bryan got on well with the old founder, Nathan Cummings (who bought the pictures), and by the time he was 38 had been chosen to succeed him as CEO.

In his long years running Sara Lee, he has reliably delivered good earnings growth. He has also made a profession out of being a good citizen. He has served on so many committees and charitable boards, and has won so many awards – including the Martin Luther King Jr's Salute to Greatness award – that they cover one and a half sides of paper on his CV.

Yet there is nothing showy or bragging about Mr Bryan. Instead, the man across the table from me seems formal and slightly stiff. Not the easiest person to chat to at 8am.

He takes a sip of coffee, pushes aside a plate of summer berries. Had we been having breakfast at his Chicago HQ, he assures me, we would be having a feast of brands: his coffee, his cakes, his meat. So, you never miss an opportunity to promote your products, I say.

"I hope not!" he replies solemnly.

"Breakfast gives us a lot of opportunities," his PR minder contributes, a thin woman in a lilac suit.

Returning to the pictures, I ask how he feels having unloaded so many valuable works.

"I feel marvellous," he says. He smiles and gives a little chuckle, but his eyes do not move. The effect is unnerving.

In deciding to give them away rather than flog them, he has pulled off a brilliant PR stunt. He has designed the gift carefully, spreading the paintings through many galleries, matching the places where Sara Lee does business, thus ensuring a steady flow of good publicity.

Is he really saying that his task in building up brands at Sara Lee is just the same as Picasso's task in painting pictures? 'Absolutely'

I enquire about the origins of his interest in art. "In fine art it has to date to the time I went to the corporate headquarters in 1974. The founder had these paintings in his apartment. I was very close to him. He sort of opened up a bit of a world to me. I remember him introducing Henry Moore to me."

Art has helped make Mr Bryan's life rich and varied. He is very clear about this. The enemy of business, he argues, is narrowness. For this reason, he not only involves himself in charities, he makes sure that his lieutenants do likewise. Any who fail to do their bit for society may pay for it in terms of promotion.

"We really don't think that broader leadership positions in the company ought to be held by people who cannot offer leadership in the community," he says. "I have spent a considerable amount of time in the not-for-profit sector and I am a better leader within the company because I have the leadership experience of working outside. Business exists to serve the community."

More than to make profits? "It's a higher level of defining what it's all about. Let's not fool ourselves, the profit motive is not the end – it's the means to the end."

But surely most people have little enough time left over from work as it is, and want to choose how they spend it? He shrugs. "I'm up at 5am. I'm out most evenings. I travel 35 per cent of the time. I can organise myself fairly well, so perhaps get more done than – er – some people. It is an issue of time, but of talent as well. At the top of a large company, the choices you make are more important than the time you spend."

I ask whether his social conscience baulks at the vast amounts executives earn in the US.

"We live in a laisser faire kind of a world," he says. "But I'm not aggressive on pay. I have been handsomely paid all these years, but I don't know what I make. It's not an issue."

Surely he knows roughly? "Not really," he insists. "I don't know what my salary is. With some people it is very time-consuming."

"What's new on the Financial Times, Lucy?" asks his PR woman, changing the subject. We start to talk about the dumbing down of the press and Mr Bryan deplores the fact that the press is more interested in personalities than in companies. Promoting the John Bryan brand name is apparently not one of the things he enjoys.

"It's one of the nuisances of the job," he says. "What I really like is understatement."

We are brought omelettes and sausages, and I turn the conversation to the bra. I tell him about two English designers I had just seen on television who had replaced the wire in bras with some injection-moulded material used in running shoes. As I talk, I sense my audience is drifting away. "Sure, right, right. I'd like to find out about it." He makes as if to take his expensive pen out of his shirt pocket, but has second thoughts. "We are the world's largest company in this business. We are certainly the most innovative with cross-your-heart Playtex."

Wasn't that rather a long time ago? "Playtex has become contemporised now," the PR woman assures me.

Before we leave he has a question. He wants to know why Margaret Thatcher does not share his interest in the glass ceiling. Because she isn't a woman, I say flippantly. To my surprise, he nods seriously. "That's what I thought," he says.

Breakfast is over and Mr Bryan has a 9am meeting. We shake hands, but his mind seems to have already moved on. Not so his PR lady, who has found out it is my birthday. It is her turn to give away one of the company's brands. Not a Picasso, this time, alas, but a nice black purse to keep my money in.

DAVID BOWEN
WEB SITE INSPECTION

A dark-blue sight

The European Central Bank may be sparkling new, but its web site fails to inspire

The web should be a wonderful place for the European Central Bank – inaugurated in Frankfurt this week – to prove to us trendy young surfers that it is not run by fusty old civil servants.

The history section starts like this: "In June 1988 the European Council confirmed the objective of the progressive realisation of economic union and mandated a committee . . . " So it goes on, for thousands of words of unbroken text. We are treated to quotes from The Statute of the European System of Central Banks and of the European Central Bank. And the whole thing is dressed in the web design equivalent of a dark blue suit.

In other words, the ECB has blown its opportunity. Cobwebs started forming over my screen as I tried to plough through the impenetrable text. As a window through which the world can view the ECB, this site is a disaster. As a source of information for researchers, it is fine – a mass of documentation and decent navigation. But compare it with EmuNet, and we see what the central bankers are missing.

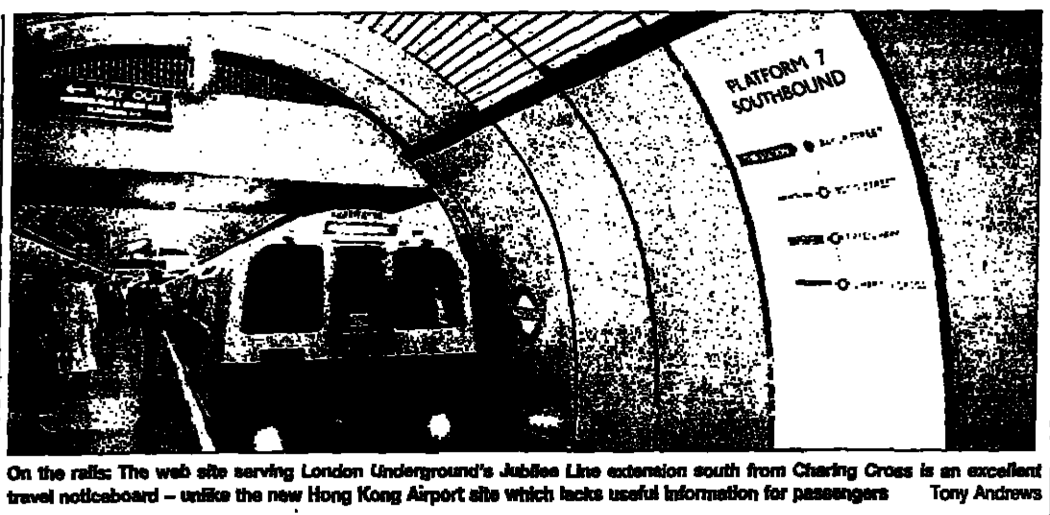
EmuNet is no beauty. In fact, it looks rather more dull than the ECB site. But it makes up for this with a lively style, a remarkable amount of information, and debate about monetary union. Although backed by the European Commission, it lists meetings of the Eurosceptic Bruges Group, and has a mass of "neutral" technical articles. Best of all, it has the tone of a well-written newspaper. Only if you delve into its official documentation section are you likely to stumble across anything about "progressive realisation".

What are the lessons? ECB: do not give visitors quite so many excuses to click away. EmuNet: you can get away with looking boring, if the words and content make up for it.

European Central Bank
www.ecb.int
Overall **
Navigation ****
Aesthetics ***
EmuNet
www.euro-emu.co.uk
Overall *****
Navigation ****
Aesthetics **

The new Hong Kong Airport starts work on Monday, so I dropped into its web site to see what I could find. The answer is what internet people call "brochureware" – printed information transferred to a web site without much attempt to exploit the medium's strengths. Quite a lot of information is competently arranged, with mini-photos and jiggling animations to help you find your way around the site.

But it lacks down-to-earth details for airport users. Endless statistics may be useful for a school project, but travellers want to know how long it will take them to get to Hong Kong Island, how much it will cost, and whether the mass transit system can help. None of that is here.



On the rails: The web site serving London Underground's Jubilee Line extension south from Charing Cross is an excellent travel noticeboard – unlike the new Hong Kong Airport site which lacks useful information for passengers Tony Andrews

The site fails in another obvious task – to get across a sense of wonder about a grand engineering project, or even to make it seem interesting. Compare it with the site from the London Underground's Jubilee Line extension. This has computer-generated images of what the stations will look like, drop-down boxes shunting you from station-to-station, a journey-time calculator, and even station announcements.

The web is an excellent noticeboard for travellers. Why do so few travel-related sites fail to make use of this?

Hong Kong International Airport
www.hkairport.com
Overall ***
Navigation ***
Aesthetics ***
Jubilee Line Extension
www.jle.lul.co.uk
Overall ****
Navigation ****
Aesthetics ****

One of the nice things about the internet is that you can be looking for one thing and come across something altogether more interesting.

So it was when I was trying to get a web-centred view of the landmark antitrust battle between Microsoft and the US Department of Justice over the company's internet browser software. Not too much luck at Microsoft: I had to delve hard to find any mention of its significant court victory last week.

It was not that easy at the DoJ site either, less surprisingly as it had been battered in the latest round: two appeal court judges in Washington lifted a preliminary injunction that restricted Microsoft's packaging of internet browser software with its flagship Windows operating system. But I did find relevant documents, transcripts of press conferences, and a brief notice that remarked laconically: "We're disappointed."

I hardly noticed all this, though, because by then I was on the trail of the enemies of the republic. Here is the US Marshals' Most Wanted list: Richard Vallee (demolitions expert with a violent criminal history). Here are the Casablanca Money Laundering Indictments. Here is a seized catamaran (six state rooms) for sale by the Marshals' Service.

Who needs fiction when we have this? I should have known this civil service site was going to be unusual when the home page offered me a "What's new and hot" button.

This is brilliant: open government at its best. European civil servants, please note.

Microsoft
www.microsoft.com ***
US Department of Justice
www.usdoj.gov *****

David Bowen is editor of Net Profit newsletter (www.net-profit.co.uk; info@net-profit.co.uk).

DENMARK THE TRANQUIL TEAM THAT HOPE TO SHOCK BRAZIL

Underdogs aim to bite the masters

Peter Aspden visits the Danish camp and detects a steely determination beneath their relaxed air

Every team who are forced to play Brazil in a World Cup seek refuge in underplaying their own chances. The Danish side who take the field against the defending champions in Nantes this evening are no exception.

Since their surprise victory over Nigeria in the second round, an air of tranquility and relaxation has descended on their training camp in the southern city of Toulon.

Fulsome tributes are paid to their forthcoming opponents, and questions comparing the two sides are fielded with charm and modesty.

Brian Laudrup, a world-class player himself, is asked whether one Ronaldo is worth two Laudrups, but politely declines to offer a dream headline. "The Brazil team is more than Ronaldo," he warns. "They have world-class players in every position. We are underdogs, as we were against Nigeria, and that suits us fine."

The only hint of discord comes from Denmark's giant goalkeeper Peter Schmeichel, who does not like being asked what he thought of England's loss to Argentina. "That is not why I am here. This is the Danish camp, in case you have not noticed," he snaps.

It is the only sign of tetchiness in the camp, but a telling one. Schmeichel is only expressing what is surely felt by the rest of his team-mates. To watch the Manchester United keeper beat the ground when he is beaten by a shot in training is to realise that this Danish side is not here to provide a workout for the over-praised Brazilians. Just ask the much-fancied Nigeria, who found themselves two goals down before they had drawn breath.

But Laudrup continues to repeat the party line. "We are not frightened. All the pressure is on Brazil because every Brazilian in the world expects them to lift the trophy. We have been raising our game gradually, and feel confident. But it is funny: two weeks ago we were being strongly criticised at home, now after the Nigeria result we are suddenly better than the 1986 team."

Ah, 1986. It never fails to come up. Here is the reason that the Danes covet that underdog status so obsessively. That great Danish side – Michael Laudrup, Jesper Olsen, Preben Elkjaer – which stormed through the opening round of the Mexico World Cup with victories over Scotland, West Germany and a memorable 6-1 thrashing of a strong Uruguayan side, remains the touchstone of all the nation's football discussions.

Expectations rose with every thrilling performance. Could anyone stop their rampant attack? Could they go all the way? And then came the second-round against Spain, and a disastrous 5-1 defeat, prompted by a ludicrous, over-confident Olsen error just before half-time when they led 1-0. The Danes had forgotten themselves, and paid the price.

As if to emphasise the point, Denmark won their only big trophy six years later with the ultimate low-profile build-up. They had not even qualified for the 1992 European championship when they were asked to step in at the last minute for war-torn Yugoslavia. They interrupted their summer holidays and casually beat a classy Dutch side and an obdurate German one, who had knocked the stuffing out of each other.

Goal hungry: Michael Laudrup wants to end his career on a high note Empics

So the Danes like to arrive unnoticed. But they are now in the quarter-final of only their second-ever World Cup, and it is impossible to ignore the smooth, intelligent displays of the Laudrup brothers, the promise of the 22-year-old Udinese midfielder Martin Jorgensen, the strong-running Thomas Helveg, freshly signed by AC Milan, and the unmistakeable Schmeichel.

The elder Laudrup, 34-year-old Michael, and the only survivor of the 1986 ordeal, is still more circumspect than his brother, and speaks the language of his compatriot Hans Christian Andersen when asked to assess his side's chances. "Sometimes miracles happen, sometimes they don't. It doesn't cost anything to dream."

He has announced that he will retire after the tournament; his diffidence is betrayed by the hungry look of one who wants to celebrate a distinguished career with a memorable, even shocking, climax.

Finally he is asked to explain the Danes' improbable progress. "We are a team. We play collectively. We are together."

He might have pointed to his side's goalscoring record so far: seven goals from seven different players. But perhaps he was trying to hide it.

In the meantime, Schmeichel has stopped beating the ground and is once more building up the competition.

"Brazil are the best team in the tournament," he says. "Everyone talks about Ronaldo or Denilson, but they wouldn't be anything if they didn't have a great team around them. It is best not to think about their names at all. I think of them as the team in yellow shirts. And we can beat a team in yellow shirts."

FRANCE STRONG DEFENDERS OF THE REPUBLIC

All for one and four for all

David Owen on why the French back line is regarded as the best in the tournament

They are an eclectic bunch. A Basque who radiates *joie de vivre* and listens to Basque and Corsican songs before matches; a Ghana-born strongman whose trophy cupboard would make most players weep; an inspirational elder statesman with a knack of scoring important goals; and a muscular Miles Davis fan from the French West Indian island of Guadeloupe.

Together, Bixente Lizarazu, Marcel Desailly, Laurent Blanc and Lilian Thuram make up a French back four that is being freely spoken of as the best in the World Cup and, perhaps, the best French defence ever.

But today comes the acid test. France take on Italy in a quarter-final in front of some 75,000 noisily expectant French fans in the Stade de France, north of Paris. Anything less than a clean sheet will jeopardise a French challenge whose Achilles heel is its lack of experience and invention up front.

Unless the returning Zinedine Zidane puts in one of his best performances in the hole between attack and midfield, it is hard to imagine the French scoring more than once against another very sophisticated defence, backed up by Gianluca Pagliuca's world-class goalkeeping. This expectation will be reinforced if striker Thierry Henry's sprained ankle prevents him playing.

Keeping Alessandro Del Piero, Roberto Baggio and the in-form Christian Vieri quiet for up to 120 minutes is, of course, an extraordinarily tall order. But if any defence is up to the task, this is it.

Their record speaks for itself. In the three matches they have disputed so far, admittedly against the lesser lights of South Africa, Saudi Arabia and Paraguay, the foursome have yet to concede a goal. (Only Desailly took the field in the 2-1 win over Denmark.)

A string of eminent judges, ranging from David Ginola, the England-based forward still smarting at being left out of France's World Cup squad, to Italy's Vieri, have suggested they constitute the strongest defence in the competition. Such views are reinforced by recently published Carling Opta ratings. These ranked three out of the four among the top five defenders in the tournament's early stages. Only Blanc, who scored the first World Cup "golden goal" against Paraguay, was left out.

One of their greatest strengths is the way they instinctively complement each other on the field. Perhaps such teamwork is to be expected from a quartet with 189 appearances between them. And yet, prior to this tournament, there had been relatively few occasions when they had all been used together.

An added plus, particularly in today's game, is that three of the four have experience of top Italian club football. Parma's Thuram is particularly respected there. Enrico Chiesa, his Parma team-mate but today an adversary, describes him simply as: "The best defender in the world".

On the wing: a magpie takes flight as France's Bixente Lizarazu (right) tangles with a Saudi Arabian opponent Reuter

Desailly, who has signed for English Premiership side Chelsea, has won the European Cup and two Italian championships with AC Milan. Blanc had a season with Napoli. Odd man out Lizarazu's moment may come: he plays for Bayern Munich in Germany, the likely semi-final opponent of today's winner.

Indeed, although the globalisation of top club football has meant that team-mates and adversaries at France 98 are probably more familiar with each other than in any previous World Cup, there will be few clashes in this competition between sides that know each other better.

French fans hope that this experience will help *les bleus* to rise above the inferiority complex that has often meant past French sides being written off as beautiful losers – even in spite of their 2-0 victory the last time the two sides met in the World Cup, in 1986. Their two previous World Cup meetings, in 1938 and 1978, ended in Italian victories.

Some pre-match comments seem reassuringly hard-nosed, with David Trezeguet, France's young target man, sounding almost Italian. France must "forget about playing any pretty stuff and do whatever it takes to win", he says.

This has generally proved easier said than done. But no past French team has had such a solid rearguard to fall back on. With this and home advantage, Aimé Jacquet's side will never have a better chance to slay old ghosts and claim a place among the game's elite.

BETTING

Startling plan to bring home the bacon

Luck? Talent? All that splendid bacon? Endearingly, Denmark's team are startled to find themselves rubbing shoulders with the soccer elite in the World Cup quarter-finals, and say they have no idea how they got there. But are the merry Danes really 16½ times less likely to win the competition than Brazil, whom they meet tonight in Nantes?

Brazil, playing like aristocrats, are 2-1 favourites to win the tournament, while Denmark are the least favoured quarter-finalists, at 33-1. This is partly because Denmark will have to beat Brazil, then Holland or Argentina, just to reach the final. In theory, however, anything can happen in 90 or 120 minutes of World Cup knockout soccer, and Denmark's odds are attractive to contrarians searching for a glimmer of value in the odds quoted by the UK's big bookmaking firms.

So far, France 98 has produced almost no surprises. Of the top 16 teams in the betting at the start, only Spain, Bulgaria and Colombia failed to qualify for the knockout phase. Their places were taken by Chile, Paraguay and Mexico, but the usurpers were promptly blown away in the second round. In short, the reign of the elite has not yet been threatened.

Can Denmark upset the balance of World Cup hegemony? Probably not. But the FT's £1,000 World Cup betting pot has been run, to date, on vaguely contrarian lines, and is not going to duck the challenge of Denmark's odds. So far, bets from the FT pot total £220. The main one is £80 on Argentina to win the tournament, at 9-1. Argentina are now 4-1 second favourites.

As an insurance bet, the FT will today stake £30 on Holland to win the Cup, at 6-1, plus £40 on Denmark at 33-1. Holland and Argentina play their quarter-final in Marseilles tomorrow. This means the FT is guaranteed at least one representative in the semis – two if Denmark continue to amaze themselves by toppling Brazil.

Best London odds for the other quarter-finalists: 5-1 France; 7-1 Italy; 7½-1 Germany; 25-1 Croatia.

The other surviving FT bet from mid-June is £15 at 8-1 on Gabriel Batistuta of Argentina to win the Golden Boot competition for top individual scorer. With five goals apiece, Batistuta and Italy's Christian Vieri are now the 9-4 favourites, followed by three-goal Ronaldo of Brazil at 11-4. One to consider might be Holland's Dennis Bergkamp: only two goals to date, but 66-1 at Ladbrokes.

Michael Thompson-Noel

FRANCE 98 DIGEST

TODAY'S GAMES

Clash of styles as play resumes for quarter-finals

After a brief break, the World Cup resumes today with two quarter-finals of pleasing contrasts. Brazil defend their crown against an unfancied Denmark in Nantes, while hosts France return to the Stade de France to take on Italy. One game is David against Goliath, the other is Goliath against Goliath. One should feature plenty of open, attacking play, the other will be a tactical battle with the onus on defence and goals likely to be at a premium. Brazil-Denmark should be the more entertaining game, for as Mario Zagallo (above), the Brazilian coach, said this week: "Denmark plays and lets play." If the Danes display the flair and pacey offensive style that disposed of Nigeria in the second round, and the Brazilians repeat their performance at the same stage against Chile, then the watching world could be in for a treat. Those two previous games produced 10 goals, so tonight's match could be high-scoring.

Brazil start as clear favourites given their World Cup pedigree and the quality evident at almost every position on the pitch. The same team that comfortably defeated Chile will start in Nantes, with Zagallo resisting demands to replace Bebeto up front with the younger, more dynamic Denilson.

The key to the game will be in midfield, where Dunga will try to disrupt the flow of passes from Michael Laudrup and the bright young Udinese player Martin Jorgensen to the Danish forwards Brian Laudrup and Peter Moller. Zagallo believes Denmark's week spot is their back line. There is obviously a Portugese term to describe the Danish defence's vulnerability, because when Zagallo used it on Wednesday the interpreter came up with "dribblable" – a term not to be found in any English dictionary.

The afternoon fixture in Saint-Denis is unlikely to see a great dealing of dribbling. With more than half of the French team making a living in Italy, it will look like a super-charged version of a Serie A game. Goals will be hard to come by, given France's defensive strengths – although they have not come up against anyone as good as Christian Vieri, the Italian striker.

The return of Zinedine Zidane after suspension should greatly improve the service to the French forwards. Yet the possible absence of the Thierry Henry – the team's top scorer with three goals – because of an ankle injury could blunt France's attack. For Italy, the so far unimpressive Alessandro Del Piero will again start and his team-mates must hope he finds his form soon. If he fails to, the Italians may call Roberto Baggio off the bench for inspiration. Ultimately, the result may come down to which team is the more desperate for victory. On that count the proud French 11, playing in front of a domestic audience, may just have the edge. **Patrick Harverson**

- **ITALY V FRANCE, 16.30*, SAINT-DENIS**
- **BRAZIL V DENMARK, 21.00, NANTES**

Local kick-off times (GMT + 2 hours). One hour earlier in UK.

IN BRIEF

Bolton sign Reggae Boy

Jamaica's mainly home-based World Cup squad have begun to reap the benefits from their appearance at France 98. Ricardo Gardner, the left wing-back, is to move from Harbour View, his Jamaican club, to Bolton Wanderers of the English First Division for a transfer fee of £1m.

Gardner attained hero status among Jamaicans for providing the pass for Robbie Earle to score against Croatia – Jamaica's first goal in the World Cup finals. In order to help him acclimatise, his mother will also be provided with accommodation in Bolton to keep the 19-year-old company.

Gardner was the youngest player in the Jamaican side, and has been described by René Simoes, Jamaica's coach, as being among the most talented players he has ever worked with. His European move, and those which are likely to follow for some of the other Jamaican players, will be regarded as indications of football's progress on the island.

The Reggae Boyz were mobbed at the airport when they returned from France last weekend, after beating Japan in their final game. **Canute James**

- Extra police will be on duty and an alcohol ban has been imposed in Lyons for Saturday's quarter-final between Germany and Croatia, following violence by German hooligans when the side played Yugoslavia in Lens.
- Only 52 per cent of adults in the US know the World Cup is a "soccer competition" and only 19 per cent have watched a game from France 98, according to a survey.

NUMBERS SO FAR

Goals total	149	Sendings off	17
Bookings	217	Converted penalties	16
Leading goalscorers	Batistuta (Argentina), Vieri (Italy) 5		

For latest World Cup news
www.FT.com/worldcup98

A plague on both your houses

The Eyre report underlines the *fatal* lack of communication between arts management and the government which has lead to the sorry situation at Covent Garden, writes **Andrew Clark**

There is *no quick fix*. When politicians, arts managers and commentators pored over Sir *Richard* Eyre's report this week, few could forgive him for not coming up with a neat solution. Sacrifice an opera house. Privatise Covent Garden. Add £30m to existing subsidy. Any of these would have made good headlines. Eyre knew that. He also knew they would not make *artistic or political* sense, because they fail to address the fundamental problems in UK cultural *funding*.

Eyre's eloquently-phrased, philosophically-minded analysis of London's lyric *theatre* was *the* only intellectually respectable response. The problems afflicting opera and ballet in *London cannot* be reduced to a few hard facts or recommendations. They have been endemic for the *past 15 years* and, as Sir Richard points out, have soured the whole public perception of the arts.

The Eyre review was set up to get Chris Smith off the hook. The culture secretary was *in* a *tight* spot last November, facing awkward grilling from his parliamentary colleagues *while the Covent* Garden scandal unravelled under his nose. He said he wanted a "radical" *solution. But* Eyre *has* refused to let himself be used.

Reading between the lines of his *report*, he has been *remarkably* truthful. What he has done is to challenge the government to *answer a question:* why bother supporting the arts if you are not going to do it properly? The question is relevant not just to the present Labour administration; it is part of a continuum in British cultural life, and it needs to be addressed if we are to overcome the cycle of crisis and *complaint* that dogs the performance of our performing arts organisations. It *strikes to the heart of the Royal* Opera House debacle. Since the mid-1980s, governments have shown diminishing interest in the *arts; a proper system* of accountability does not exist, for which the Arts Council – supposedly *supervising Covent Garden* all these years – must share responsibility; and there is no relation*ship of trust* between funder and receiver.

The question the government must answer is why bother to support the arts if *you are not going to* do it properly?

Smith and his officials at the *department of culture invented* the Eyre review because they did not want to face up to this politically painful logic. Eyre does not wish to be used as a fig-leaf for the government's embarrassment about the arts.

He knows the Treasury will not award an extra £30m at the drop of a hat, and that throwing an extra £30m at London's lyric theatres is not going to address the nub of the problem. Equally, he recognises that cutting the num*ber of opera houses, or privatising* Covent Garden, is not going to make opera and ballet more acces*sible;* nor *will it* guarantee international standards. The true problem is that decisions about funding, management, accountability and performance can only be taken in the context of a mature relationship between funders and arts managers. Such a relationship has not existed since Thatcherism took grip.

For evidence of this, we need look no further than the leaked *letter* from Sir Colin Southgate, chairman of the Royal Opera House board, asking Smith for a doubling of subsidy. Did Southgate seriously believe the Treasury would listen to his request, given the chaos at Covent Garden over the past 12 months? The fact that such a letter could be written *shows* the two sides are unable to communicate. You would never get Peter Jonas delivering a simi*lar ultimatum to the* Bavarian state government in Munich; or Hugues Gall to the French culture ministry in Paris, or Valery Gergiev to President Boris Yeltsin of Russia. In each case, government and the arts talk to each other; there is a degree of trust and respect.

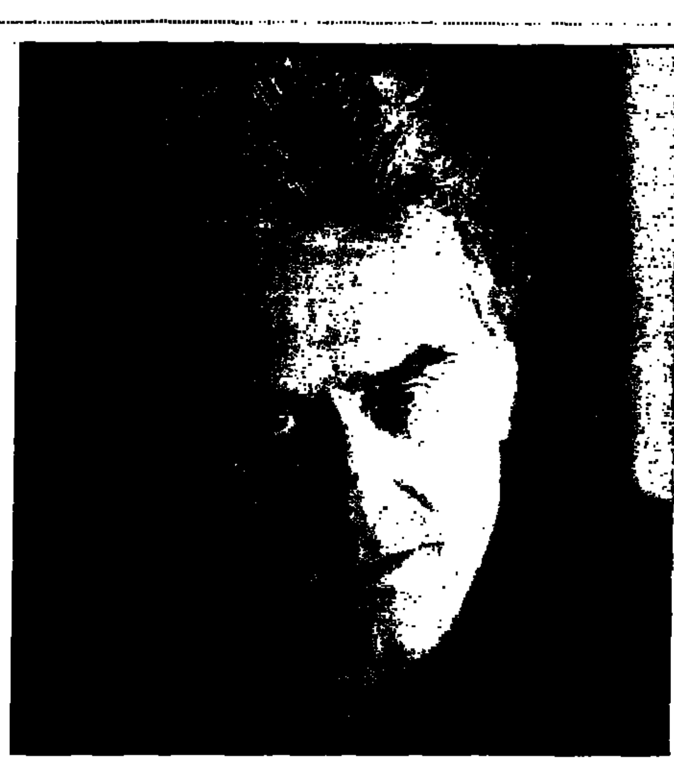
A relationship of trust does not emerge overnight. Eyre is suggesting that no solution will work in the long term unless the government is prepared to address the wider issues. A mature relationship needs the following:

■ A lot of bridge-building. *The relationship between the Arts* Council and the bodies it funds, including Covent Garden, is at *rock-bottom. Restoring* the relationship will be difficult, and there is serious doubt that Gerry Robinson, the new Arts Council chairman, is the man to do it.

■ A shift away from bureaucratic demands. Preparing reports for stabilisation and lottery awards has diverted arts managers from the task for which they were employed: the running of successful arts companies. Accountability is important, but managers should be able to get on with managing, and spend less time on firefighting and the political environment.

■ A sense that funders and arts managers are on the same side. There is no indication at present that the department of culture, the *Arts Council* or opera and ballet managers (and their orchestral and subsidised theatre counterparts) are working towards the same goals. Most senior arts managers are intelligent people; if the government wants these organisations to be successful, their staff and leading performers must be valued.

By refusing to come up with a quick fix, Eyre has angled the ball back into the government's court. He is subtly pointing out that if it doesn't value the arts, it is wasting public money by continuing to support them at present levels; if the present situation is allowed to continue, the political and structural problems that have surfaced at Covent Garden will recur, and this will involve further waste of time, money and energy.



No fig-leaf for government embarrassment: Sir Richard Eyre

Like Priestley in the early 1980s, Eyre has not produced the result the government wanted. He has indicated, non-committally, that the only "radical" solution, combining access and high standards, is to inject more money – a truth the government might not wish to *face*. But he also says that if there *is* to be more money, there needs to be accountability.

English National Opera should be able to live with this. The Royal Opera House faces a much bleaker dilemma. If there is no commitment to beefing up resources, how can it attract a general director of sufficient personality and experience to give the sense of direction it so desperately needs, artistically and managerially? Far from being a quick fix, Eyre's report has only underlined the magnitude of the problem.

'A Knight at the Opera', Sir Richard Eyre's account of *his personal* journey from opera sceptic to believer. Weekend FT Arts, tomorrow.

SPONSORSHIP

Where were the men from the ministry?

The rain held off long *enough on Monday night* for the 900 worthies of the arts and business to make the most of the Globe Theatre, the champagne, the prizes, and even the speeches at the third FT-ABSA annual award ceremony on Monday night.

The new chairman of the Association of Business Sponsorship of the Arts, Robin Wight, confirmed that the organisation's name would be changed within the next six months, dropping the word "Sponsorship". It is too linked to marketing and corporate hospitality: the new name will reflect the integration of the arts into every part of a company's activities.

Chief executive Colin Tweedy, reflecting on a year in which arts sponsorship in the UK nudged £100m, was more concerned with a future in Europe: multinational sponsorships are still a rarity.

Unfortunately one vital group was missing at this, the industry's largest bash ever – the government. No arts minister showed up. In fact ABSA has yet to meet the Labour government officially. A meeting planned for yesterday has been postponed.

There is much to talk about. Despite the fact that Tony Blair was meeting grandees of the arts world at the same time as the awards ceremony, all the signs are that the government will not provide much extra cash for the arts. This makes the role of business more vital. It is surprising that the other big event of the week, the Eyre report on Covent Garden, made little mention of business: but it will be corporate money that will help keep the Royal Opera House open.

At the moment the government helps arts sponsorship by giving £5m a year towards the Pairing Scheme, which tops up the money of first-time and long term sponsors. The £5m is not enough: ABSA could distribute it in six months. What ABSA wants is for business to be more integrated into government funding of the arts. If the government expects the corporate sector to raise its funding of the arts, the donors must receive more acknowledgement and influence.

Undoubtedly Wight and Tweedy are shifting arts sponsors towards supporting new events and to improving access – the current buzz words. They believe that business can use, and supplement money – perhaps provided by the Arts Council through the lottery – more effectively than many arts organisations on their own.

Business can play a part in developing an arts angle for "welfare to work", and in stimulating the inner cities. It wants a partnership with the government. So far it has waited in vain to be asked to participate in the new creative Britain.

Antony Thorncroft

Synthetic emotion to derivative music

THEATRE

ALASTAIR MACAULAY

Whistle Down The Wind
Aldwych Theatre, London WC2

The latest Lloyd Webber musical, *Whistle Down the Wind*, is entirely harmless and almost entirely uninteresting. Perhaps I should add that, from me, that is high praise; to me, Andrew Lloyd Webber has long represented much of what has been worst about our culture.

Whistle Down the Wind has not a mean thought in its head; nor an original one. Now, people have made much of Lloyd Webber's lack of originality. Kit and the Widow, for example, used to sing a number, "You, too, can write a great West End score – Steal it from somebody else", in which they went on to illustrate how the melody of "Strangers" (*Cats*) comes from Ravel's *Bolero*, and so on.

But the issue of originality is a complex one. I do not mind that you can often recognise the musical sources of *Whistle Down the Wind*: a Weill ballad, some bits of rock, a climatic device from Italian opera... Indeed, the way the title tune has put one of my favourite phrases from the "Song to the Moon" in Dvořák's *Rusalka* back into my head is a positive pleasure. Many great artists have often been at their greatest when they have been drawing from earlier sources, sometimes blatantly. But what matters is what they do with these references. In the musical *Show Boat*, you hear vast areas of separate American traditions pouring into Jerome Kern's masterpiece, enriching it, and making it a radiant work about the transforming passage of time and culture.

Lloyd Webber, however, seems only to want to affect us in ways we have been affected before: to press buttons in us that have worked before. That is why his musicals are not works of art but mere tourist attractions: to encounter one for the first time is in fact to retread known terrain. You can think "I've heard this somewhere before" and still be happy – but to think "I've felt this way before" is to sense staleness in the air. *Whistle Down the Wind* is, in fact, less wearisome in this respect than certain other Lloyd Webber shows. Still, like so much he has composed, it is, in emotion and character and treatment and narration, from first to last, synthetic.

Lloyd Webber seems only to want to affect us in ways we have been affected before, to press the same buttons

The story is well known from the Bryan Forbes film: a bunch of kids in Louisiana in 1959 take an escaped convict to be Jesus Christ. Lloyd Webber – working here with Jim Steinman (lyrics), and Patricia Knop and Gale Edwards (book) – alternates between (a) kids and (b) adults, (a) misplaced hope and (b) jaded cynicism, (a) positive and (b) negative energy. (This binary dramatic technique, accompanied by changes of set, recalls his method in *Sunset Boulevard*, moving back and forth between Norma Desmond's residence and the outer world.) The upper level of Peter J. Davison's's two-level set rises and falls; the (a) scenes happen on the lower plane, the (b) scenes on the upper, and at one stage of Act Two you watch (a) and (b) simultaneously.

Lloyd Webber is a craftsman. Throughout the show you can feel him trying every technique he knows to make a number theatrically effective: techniques of orchestration, of accumulation, of escalation, of acceleration and *rallentando*. The result, though not particularly effective, is less unpleasantly manipulative than in other shows of his.

Admittedly, he does overemploy one of his worst devices, which is to take the vocal line of some characters preposterously high, sometimes forcing the convict into ludicrous falsetto effects (it's meant to sound "sensitive") and exaggerated high-strain agitation. However, he does not overdo here his other worst method: which is to plug and reprise a show's big numbers until you find yourself reluctantly humming them because there is no alternative.

Confused sexual attraction and idealistic hesitation is well handled by Lottie Mayor and Marcus Lovett as Swallow and the Man Alastair Muir

The central idea of his conception here becomes apparent in Act Two: to show how (a) and (b) are related, how the bright optimism of the kids can overlap musically and rhythmically with the punitive aggression of the adults. Both (a) and (b) are, in fact, the opposite sides of the same coin: which is moral energy. The concept isn't so far from what Wagner does in the *Ring* Cycle: to show how the same raw material may be used for good and evil, for openness or for defensiveness, for generous acceptance of life or for guarded denial of life. Lloyd Webber's concepts here aren't bad; but his techniques aren't sufficient to make them good, or interesting.

And there is no freshness in him. Every Lloyd Webber character, every Lloyd Webber emotion, feels like a reproduction of something else that was once real.

Gale Edwards directs. Thanks to her, there is one somewhat interesting scene near the end, in which the young heroine Swallow and the convict she insists is Jesus face each other at close quarters. The mixture of confused sexual attraction and idealistic hesitation on both sides is well handled and sustained by Lottie Mayor (Swallow) and Marcus Lovett (the nameless Man); *Mayor also plays the final* scene well. Only in these passages, however, does anybody in *Whistle in the Wind* begin to look or sound honest.

INTERNATIONAL

Arts Guide

AMSTERDAM

EXHIBITIONS
Rijksmuseum
Tel: 31-20-673 2121
● Drawings from the Golden Age: display of 100 17th century Dutch drawings. Highlights include *the* first landscapes by artists such as Visscher, Van der Velde and Van Gogen; to Jul 12
● The Secret Unlocked: German Furniture Opened. Nine pieces dating from the 16th to the 18th centuries, including pieces by the cabinet-makers Abraham and David Roentgen; to Aug 30

BERLIN

OPERA
Deutsche Oper
Tel: 49-30-34384-01
La Gioconda: by Ponchielli. Revival conducted by *Marcello Viotti* in a staging by Filippo Sanjust; Jul 3

BILBAO

EXHIBITION
Guggenheim Museum Bilbao
Tel: 34-4-423 2799
www.guggenheim.org
China – 5,000 Years: organised in collaboration with the Ministry of Culture of the People's Republic of China, comprising 500 works of art ranging from the Neolithic to the contemporary. Many of these objects have never before this exhibition been seen outside China. The show arrives from the Guggenheim, New York, and runs to Sep 1

BIOT

EXHIBITION
Musée National Fernand Léger
Tel: 33-4-9291 5030
Fernand Léger: 1905-1930. Modified version of the major retrospective seen in Paris, Madrid and New York; to Sep 30

BRUSSELS

DANCE
La Monnaie
Tel: 32-2-229 1211
Ballet Frankfurt: in works by ... choreographer William Forsythe; Jul 8, 9

OPERA
La Monnaie
Tel: 32-2-229 1211
The Turn of the Screw: by Britten. New production conducted by Antonio Pappano in a staging by *Keith Warner, with designs by* Stéphane Lazaridis. Cast includes Susan Chilcott and Anthony Rolfe Johnson; Jul 3

CLEVELAND

EXHIBITION
Cleveland Museum of Art
Tel: 1-216-421 7340
www.clemusart.com
Gifts of the Nile: Ancient Egyptian Faience. Display of ceramics, known as faience, a mixture worked by the Egyptians and regarded by them as magical. *Brings together over 200 works*, including statuettes of kings and gods, and animals, and inlaid *boxes ranging over 5000 years*. Includes works borrowed from public and private collections in the *US and Europe; to Jul 5*

FLORENCE

OPERA
Teatro Comunale
Tel: 39-055-211158
www.maggiofiorentino.com
La Bohème: by Puccini. Conducted by Semyon Bychkov in a staging by Jonathan Miller; Jul 3, 6, 7, 8, 9

GLIMMERGLASS

OPERA
Alice Busch Opera Theater, Cooperstown
Tel: 1-607-547 2255
● Falstaff: by Verdi. New production directed by Leon Major with sets and costumes by John Conklin. Conducted by George Manahan. Cast includes Kevin Glavin, Stephen Powell and Amy Burton; Jul 5
● Tosca: by Puccini. New staging by the team responsible for last year's *Madama Butterfly:* director Marc Lamos, set designer Michael Yeargan, costume designer *Constance Hoffman, lighting* designer Robert Wierzel and conductor Stewart Robertson; Jul 3, 6

GLYNDEBOURNE

OPERA
Glyndebourne Festival Opera
Tel: 44-1273-815 000
Rodelinda: by Handel. New production directed by Jean-Marie Villégier, with sets by Nicolas de *Lajartre and Pascale Cazales. With* the Orchestra of the Age of Enlightenment conducted by *William Christie; Jul 3, 5*

LONDON

EXHIBITION
Royal Academy of Arts
Tel: 44-171-300 8000
Chagall: Love and the Stage. A series of monumental mural paintings created in 1920 for the State Yiddish Chamber Theatre in Moscow will form the centrepiece of this exhibition. These recently restored paintings, never before seen by the British public, will be shown alongside preparatory drawings and sketches; to Oct 4

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Doctor Ox's Experiment: new opera by Gavin Bryars, with a libretto by Blake Morrison, after Jules Verne. The production is directed by Atom Egoyan, with sets by Michael Levine and costumes by Sandy Powell. Cast includes Bonaventura Bottone; Jul 3
● *Falstaff: by Verdi. Revival of* Matthew Warchus's production, conducted by Paul Daniel. Donald Maxwell sings the title role; Jul 4

THEATRE
Barbican Theatre
Tel: 44-171-638 8891
Maly Drama Theatre of St. Petersburg: The Possessed, by *Fyodor Dostoyevsky, directed by* Lev Dodin. 3 part adaptation previously seen at the Edinburgh *Festival; 4, 5 July all day*

The Pit, Barbican Centre
Tel: 44-171-638 8891
The Gift: written and performed by Angela de Castro; to Jul 4

MILAN

OPERA
Teatro alla Scala
Tel: 39-02-88791
www.lascala.milano.it
Lucrezia Borgia: by Donizetti. Conducted by Gianluigi Gelmetti in a staging by Hugo De Ana. Casts vary; look out for Renée Fleming: Jul 6, 8, 9

MUNICH

CONCERT
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Asher Fisch in works by Stravinsky, Gershwin and Bernstein; Jul 5, 6, 8

NEW YORK

EXHIBITION
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Louis Comfort Tiffany: celebrating the 150th anniversary of the artist's birth, this exhibition, drawn from *the museum's collection, includes* leaded-glass windows and lamps, vases, furniture, enamels, jewellery *and a selection of drawings; to* Jan 1

NEWCASTLE

OPERA
Theatre Royal
Tel: 44-191-232 2061
Opera North: Eugene Onegin, by *Tchaikovsky. New production by* Dalia Ibelhauptaite, conducted by Steven Sloane. The cast is led by *Alwyn Mellor and Peter Savidge;* Jul 3

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
La Traviata: by Verdi. Production directed by Jonathan Miller and conducted by James Conlon. Cast includes Ramon Vargas; Jul 4, 7

SAN FRANCISCO

EXHIBITION
San Francisco Museum of Modern Art
www.sfmoma.org
Sargent Johnson: African-American Modernist. Over 60 works by the Bay Area artist and sculptor, tracing his stylistic development from the 1930s through to the 1960s; to Jul 7

STUTTGART

OPERA
Staatsoper Stuttgart
Tel: 49-711-202090
Tosca: by Puccini. New production by Willy Decker, conducted by Lothar Zagrosek with designs by *Wolfgang Gussmann; Jul 3, 6, 8*

THE HAGUE

EXHIBITION
Lange Voorhout
Tel: 31-70-364 5784
The Hague Sculpture 98: outdoor exhibition of more than 50 works *by sculptors including* Rodin, Maillol, Calder, Moore, Bourgeois and Tinguely. A modern sculpture *show at Het Paleis Museum* is showing at the same time; to Jul 14

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

MARTIN WOLF

Brown's blunders

Many of the charges levelled against UK economic policy are plain wrong. But the economy is still heading for trouble

Has Gordon Brown already blown it? The UK chancellor's critics, of whom there are many, argue he has. The failure to devalue sterling upon taking office ruined the Labour government of 1964-70. So, some argue, will a series of errors in macro-economic policy damage new Labour.

The charges against Mr Brown are both general and specific. The general charge is that, rather like Nigel Lawson, he is fixated upon the long term and ignores dangers under his nose. The specific charges against him are that:

- In giving operational independence to the Bank of England, he foolishly separated the responsibilities for fiscal and for monetary policy.
- He gave too narrow a target to the Bank.
- He gave responsibility for monetary policy to an ill-assorted and dithering committee.
- He failed to use fiscal policy to curb the growth of consumer demand.
- He thereby exacerbated sterling's strength, worsening the assault on already battered manufacturing.
- He has initiated an increase in public spending just when the Bank is struggling to slow overall demand in the economy.
- The result will be a prolonged period of stagflation and rising unemployment, running up to the next election.

The charge sheet is long. Is it also fair? The short answer is no. Yes, Mr Brown has made mistakes. But they are not as serious as critics suggest. This, though, does not mean economic disappointment can be avoided. On the contrary, the UK economy was headed for a mini-bust when new Labour took over. His predecessor had approached the election with the traditional instrument of excessive monetary expansion. Inordinate growth in consumer spending and a rapidly tightening labour market had been the equally traditional outcome.

Start with the charges that are plain wrong.

The division between responsibility for monetary and fiscal policy does not make it impossible to use both together. The chancellor can indirectly set both fiscal and monetary policy, since the Bank has to take his fiscal policy into account in setting the interest rates needed to meet the inflation target.

Similarly, giving the Bank a mandate to target inflation was right and bold. There is no long-run trade-off between inflation and growth. The Bank's discretion is rightly limited to deciding how quickly to move inflation back towards the target.

Other charges, though, have some merit.

The decision to give responsibility to a monetary policy committee rather than a person, as in New Zealand, was probably an error. Committees procrastinate. Even Eddie George, the governor, has wondered whether he was wrong to oppose higher interest rates early this year. He was.

Yet the most significant error must be the failure to use fiscal policy to curb consumer demand. Mr Brown is against fiscal fine-tuning. This is almost always right. But there is a strong case for some fiscal "coarse-tuning" when the balance of demand across sectors is a serious concern. In the UK today it is.

Sterling has been the only noteworthy currency stronger than the mighty US dollar. A competitiveness index derived from cyclically adjusted labour costs, calculated by the International Monetary Fund, shows a real appreciation of 41 per cent between December 1995 and April 1998, when it was 8 per cent below the catastrophic level reached in 1981.

The appreciation has helped contain inflation: Manufactured output prices have been rising at year-on-year rates of less than 2 per cent since late 1996. But over the two years to the first quarter of 1998 output of production industries expanded 1.7 per cent, while services grew 8.3 per cent. This is highly uncomfortable.

Why sterling should have been so strong is, as so often, something of a mystery. Yet divergent expectations about the future course of monetary policy must be the most important single explanation. The reason for those divergences are clear: consumption grew 3.6 per cent in 1996; 4.6 per cent in 1997; and 4.9 per cent in the year to the first quarter of 1998. The target rate of inflation was 3.2 per cent in the year to May, in spite of the soaring exchange rate.

The broad characteristics of this story are always the same; only the details differ. Broad money started to grow at close to 10 per cent in the course of 1995; combined with windfalls from demutualisation and rising prosperity, this gave a big push to consumer spending: the labour market then tightened, the pace of underlying earnings inflation in the private sector rising from 3.2 per cent in 1993 to 5.9 per cent in the latest three-month period. Against this background, the base rate of interest rose from a low of 5.25 per cent in 1994 to 7.5 per cent last month.

Mr Brown should have loaded any tax increases he was going to make on consumer spending. He did not do so, preferring to tax pension funds instead. Moreover, from this year fiscal tightening is expected to contribute little to curbing aggregate demand, with public spending also set to rise at 2¾ per cent a year over the next three years. So control over inflation now falls on monetary policy. To lower inflationary pressure, the Bank will be responsible for generating a period of below-trend growth and rising unemployment.

If, as seems likely, sterling falls as the external balance deteriorates, this means an extended period of high interest rates. At least pain would then spread from manufacturing to the rest of the economy. The Treasury forecasts economic growth at 1¾ per cent this financial year and 2 per cent in 1999-2000, before growth returns to trend. Past experience suggests the downturn could be somewhat deeper than that.

None the less, there should be no big recession. Maybe there will be a couple of quarters of falling output, but 1 per cent growth for two years should be quite enough to bring this inflationary upsurge – modest by UK standards – under control. It may feel like a bout of stagflation. Many will condemn Mr Brown and the government. But it will be no disaster.

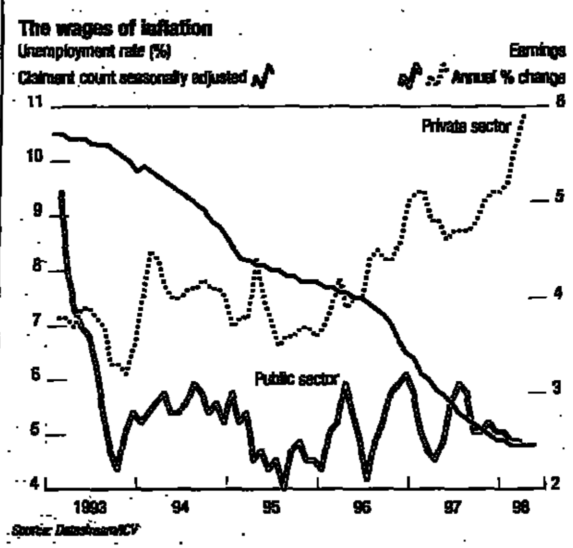
The more important point is that Mr Brown could only have influenced the sectoral impact of the slowdown. He could not have prevented it. For that necessity he can reasonably blame his predecessor, who allowed domestic demand to grow too fast and the long-standing weakness of the UK economy.

It is disturbing that earnings inflation started to accelerate when unemployment was still close to 8 per cent. It is depressing that the pace of pay inflation in the private sector is now around 6 per cent. It is disheartening that overall labour productivity rose only 1.4 per cent over the year to the last quarter of 1994, while productivity in manufacturing actually declined 0.8 per cent in the year to February, March and April of this year.

Yes, Mr Brown has made blunders. Above all, he (or maybe Tony Blair) failed to use fiscal policy more boldly. But the mistakes have not been decisive. More worrying has been the behaviour of the economy, including the labour market. For that, the errors of his Tory predecessor and the good (or bad) old British economy bear the greater part of the blame.

Martin.Wolf@FT.com

Philip Stephens is on holiday.



LETTERS TO THE EDITOR

EU cannot be expected to solve the problems of Serbia/Kosovo

From Mr David Sweet.

Sir, As an admirer of Lionel Barber's perceptive articles on European issues, I am very disappointed by his July 1 piece on Kosovo ("Europe's time bomb"). To criticise the Union for failing to deal with ethnic and military problems in a non-member state is about as sensible as blaming Nato for not resolving the Asian financial crisis.

The European Community, now Union, was founded to create an ever-closer union of its peoples through specific economic and social policies. It was not created to solve the problems of the world, or even Europe, and cannot hope to do so in its present form. In fact, the bulk of Mr Barber's article shows very clearly how insuperable Serbia/Kosovo's problems are at the moment and, after explaining why the various policies are failing, noticeably stops short of proposing any solution that might work.

At least the measures adopted by the Council correspond to its competence – in trade, travel to the Union and investment – rather than trying to create powers it does not have and that its members do not want it to have.

As for a "solution": the world has a choice. Either we leave Slobodan Milosevic, the Yugoslav president, isolated and alone until his subjects get rid of him – the traditional approach to dictators since the first world war – or large parts of former Yugoslavia will indeed have to be converted into a Nato protectorate. My preference is for the first option.

David Sweet,
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Belgium

Ten-year genetic crops review is futile

From Mr T.S. Walker.

Sir, In his letter (June 20), David Shapiro addresses a number of issues that relate to the use of gene technology to enhance the performance of agricultural crops. In particular he espouses the need for a 10-year review of the environmental effects of genetically engineered plants.

I find it difficult to understand why he should focus on genetically engineered plants when many of the traits bred into genetically engineered plants can also be effected by less genetically discriminating methods such as chemical or radiation induced mutagenisis. Indeed commercial crop varieties derived through chemically induced tolerance to certain herbicides have long been available to the farmer without any of the restrictions that are currently placed on similar genetically engineered crops, by various government regulatory bodies.

Why place the added burden of a 10-year environmental review of these new varieties on regulatory bodies that are already stretched beyond their capacity when these new varieties have already been in field trials for between six and eight years before being released to the agricultural community? The useful commercial life of many new commercial crop varieties is not much more than five years; a review of their effect on the environment after 10 years would indeed seem to be a futile exercise.

T.S. Walker,
30 Burnham Rd,
Otttawa,
Canada

Formula ignores the complexities of Nigeria

From Mr Leslie J. Elmslie.

Sir, Your leader, "Nigeria's chance" (June 26), again calls for Nigeria to "return to democracy". Perhaps you would like to clarify your advice? Nigeria has attempted a variety of forms of democracy in its nearly 40 years of independence, with the aim of achieving not only good government but, most importantly, acceptance in all parts of the country.

If you think there is now a satisfactory formula, perhaps you would like to tell us about it? Or is the FT merely doing what so many others do, calling for a "return to democracy" because reciting a meaningless formula (which for the moment seems to be something of an ethnic rallying cry) is so much easier than working out possible solutions to the very complex problem of government in countries where no one political party can expect to obtain freely given votes in all parts of the territory?

This last is surely a problem that can only grow in importance in many parts of the world, Europe included, as Kosovo currently demonstrates in one form.

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Japan reaches for the tool kit

Until yesterday, a 'bridge bank' was something that concerned central bankers. Now, says **Gillian Tett**, it holds Asia enthralled

When future historians write about the Asian crisis, they may see yesterday as a crucial day. Japan is the most important economy in Asia; the shambles of its financial system is the most important problem in Japan. Yesterday was vital because it paves the way for the first serious attempt at Japanese financial reform.

The plan is to use government controlled "bridge banks" to purchase the assets of failing institutions. Based loosely on an idea used in the US to deal with the bank failures triggered by the savings and loans crisis of the 1980s, the reform allows the government to assume control over failed banks and either shut them down or sell them off. The government will draw upon Y25,000bn already set aside to prevent bank failures from cutting off credit to healthy borrowers, plus Y13,000bn for capitalising the bridge bank system itself (see below).

Robert Rubin, US Treasury secretary, called it "the most important key to reform". If it works, it could help resolve the banking problems that have weighed the economy down for seven years and restore confidence across the continent.

But if the scheme disappoints, it could trigger another slump in the yen. That, indeed, was the first reaction: after the plans were unveiled the yen fell Y2 against the dollar to below Y140. That could reawaken the spectre of competitive devaluations throughout Asia and, no less ominously, strain US-Japan relations. Washington's surprise decision to support the yen last month was carried out in the hope – if not the promise – of impending reform. As one Western diplomat puts it "If this bridge bank falls apart, the summer could turn into an awful mess."

So does the bridge bank mean real reform? The unnerving answer is that the proposals are no more than a tool kit. They do not guarantee that Japan knows how to use them, nor that it can now fix the machinery of finance for sure.

To understand why, it is important to remember that Japan's banks face more problems than a pile of Y77,000bn problem loans. Japan also has too many banks chasing too little business to be profitable. The banks are involved in financial sector areas which would be better served by capital markets – and consequently have too little capital for too many assets. But the banks have historically found it hard to cut their excessive assets as they have been too closely tied to corporate clients through massive cross shareholdings.

A bridge bank could help reduce over-capacity. At the moment, the government is reluctant to allow large banks to fail, partly because last November's collapse of Hokkaido Takushoku (the 10th largest commercial bank) resulted in market panic and a credit crunch. But a bridge bank might help avert that reaction – and give the government confidence to sell, merge or close down banks.

A bridge bank could also provide a way to recapitalise the banking system: the plans would in effect use some of the Y30,000bn financial support package to purchase bad loans and also to inject new capital into merged banks.

Meanwhile, the mere threat of government administrators being able to march into a bank they consider insolvent may improve management at some banks.

But the uncertainty, as so often in Japan, lies in just how the scheme will be implemented. Mergers will not remove capacity if they simply do what the government has done before: glue banking monsters together, without changing the way they work. Finding effective government administrators for the banks will be difficult in a country with such an appalling history of financial mismanagement. Becoming profitable will be difficult unless the banks reduce their assets, which means letting old allies go bust.

Meanwhile, if the government keeps extending loans to troubled borrowers via the bridge bank, it could end up doing no more than push the problem loans on to its own balance sheet. Nor will the bridge bank deliver the other badly needed reform: forcing healthy banks to get rid of their own bad loans.

Admittedly, the government is trying to encourage such moves through separate plans. It is revising the tax and property codes to make bad loan disposals easier. It also plans to strengthen the powers of the Cooperative Credit Purchasing Company, a private sector body. These could prove almost as important as the bridge bank.

But pessimists remain unconvinced. "The important failing of a bridge bank scheme is that it that it does not deal with the healthy banks like Bank of Tokyo Mitsubishi," says David Atkinson of Goldman Sachs. "Until that bank gets serious about selling its bad loans, this will be just another exercise in futility."

None of this is an excuse to write the scheme off yet. Japan's government deserves credit for finally taking the first steps to reform. But after living through a year of broken promises, the markets will not give the Japanese government much benefit of doubt. If Japan is to stave off another summer of Asian turmoil, it must now prove it means action by implementing its complex "bridge bank" system. In layman's terms that means one thing: real mergers and real failures must now must occur.

Japanese put their own stamp on the treatment of problem loans

Nothing in Japan is quite what it seems, even a "bridge bank". Japan might have borrowed the catchy term from a US scheme implemented in the early 1990s, but the Japanese version is not like anything seen before in the west. Indeed, there is not even a single bridge bank.

Some details remain to be thrashed out. But the scheme would operate like this:

- If a bank fails, the recently established Financial Supervisory Agency will take administrative control and appoint new managers. These will try to find a buyer or merger partner.
- If no buyer emerges, the failed bank will become a "bridge bank", which will act as a subsidiary of the government-controlled Heisei Financial Restoration Corporation. This Heisei institution will be funded by the Deposit Insurance Corporation, which already has a pool of Y30,000bn ($216bn) funds earmarked in a recent financial stabilisation package.
- The bridge bank will sell the bad loans. But it will continue to lend to sound borrowers, drawing on a Y25,000bn pool of funds earmarked last December to avoid a credit crunch.
- If no buyers emerge after two years, this "bridge bank" will be wound down (although in exceptional cases the scheme might be extended for three more years).

Euphoria loses its strength

David Pilling asks what happened to hopes of finding a permanent treatment for Aids

Mark Harrington ought to be dead. So should tens of thousands of others who, like him, are infected with HIV, the virus that causes Aids. They are still alive thanks to a combination of drugs that suppresses the deadly virus below detectable levels and reinvigorates the immune system. So, has Aids been defeated?

Not by a long shot. True, the "triple cocktail" launched two years ago at the World Aids Conference in Vancouver has caused the number of deaths to drop sharply in the industrialised world. In western Europe, hospices are even starting to close as fewer patients develop full-blown Aids. In 1995, there were 25,000 new Aids cases in Europe; this year, there will be nearer 10,000. The fall in the US has been equally sharp.

But two years on, at this week's Aids Conference in Geneva, the mood has been less optimistic. Since 1996, it has become clear that triple-drug therapy cannot destroy HIV. It works by interfering with two enzymes, one that allows the virus to bind on to immune cells, the other that helps it bully the host cell into producing copies of the virus. But this merely drives HIV into retreat, forcing it to hide in crevices of the body. If a patient stops the therapy, the virus bounces back within days, restarting its inexorable march towards Aids.

Why on earth would anyone stop the therapy? Because most triple-cocktail regimens are so complicated that more than half of those on them cannot stick to all the requirements. Some patients take 20 pills a day. Some tablets must be swallowed at 4am, some hours before eating, others on a full stomach, still others after drinking litres of water. Pills must be taken for life. The regimens are so rigorous that many HIV sufferers think hard before committing themselves to what Mr Harrington calls "the nightmare of adjustment to life-long compliance".

There are side effects. Many patients taking protease inhibitors, the miracle drug that became available in 1996 and is now part of the cocktail, suffer from fat redistribution that leaves their faces gaunt, their arms and legs stick-like and their abdomens bloated. Others develop "buffalo humps", swellings on the back of the neck, sometimes so severe that they cannot turn their head. Protease inhibitors may cause diabetes, even heart and brain disease. All this may still be better than Aids – but it explains the difficulty of sticking to the anti-HIV cocktail. And, as if this were not enough, some new strains of HIV appear to be resistant to all the drugs on the market. People infected with such strains are back to square one.

While the disease is being curbed in the west, it is exploding elsewhere

"Vancouver saw a mixture of euphoria and hubris," says Peter Piot, executive director of the Joint United Nations Programme on HIV/Aids. "The good news is that the beneficial effects of these drugs have been confirmed. The bad news is that a cure is highly unlikely and that the drugs have more side effects than we imagined."

The worse news is that none of this has any impact on developing countries, where 90 per cent of HIV sufferers live. A typical triple cocktail costs about $15,000 a year. At that price, the entire per capita health budget of, say, Kenya would buy six hours of coverage. So while the disease is being curbed in the west, it is exploding elsewhere. Since 1996, an estimated 10m people have become infected, bringing the total to 30m. That is one in 100 of the world's adult population.

In some parts of southern Africa, where the disease is spread mostly through heterosexual sex, a quarter of adults are HIV positive. And HIV is rampant in parts of the world where it was slow to get going: India, parts of Latin America and eastern Europe, and now, perhaps most worrying of all, China.

In the long run only a cure can halt the epidemic, according to those at the UN's Aids programme. The search for that cure is likely to pursue twin tracks. In the west, pharmaceutical companies are pouring billions into new drugs to improve the triple cocktail. At this week's conference, they presented compounds that aim both to simplify pill-swallowing regimens and to cut down on side effects.

As more drugs come on to the market – by 2000 there are expected to be 24 – clinicians will have multiple combinations to try. If a patient develops resistance to one three-drug combination, the doctor will have alternatives. "You use the drugs to create a lag time, so that you can keep coming up with new drugs to combat new mutant strains," says Julio Montaner, an HIV specialist working in Canada.

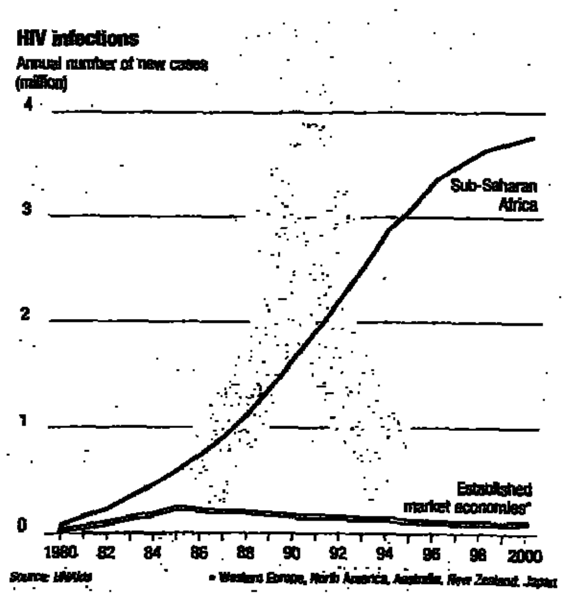
Other researchers are studying the possibility of driving out the reservoirs of latent HIV cells that manage to evade current treatment. Some hope that, if the virus is kept at bay long enough, it may disappear.

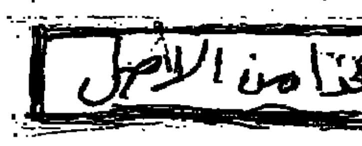
As long as Aids drugs remain so costly, the only effective way of helping developing countries is to find a preventative vaccine, rather than a cure. But of the tens of billions of dollars invested in Aids research, only a tiny fraction has been put into vaccines. This is partly a business decision: studies show that an HIV vaccine would not have a big market in the west, where most people judge themselves to be in low-risk groups. And it would be difficult to charge enough in the developing world to recoup the research and development costs.

Reluctance to embark on vaccine research has also been a matter of science. Surprisingly little is known about how HIV operates. And what is known is not encouraging. HIV is a retrovirus, meaning it integrates itself into the DNA of its host (the human body), making it the medical equivalent of a corrupted hard disc rather than faulty software. It is also covered in sugar, rendering it difficult for potential antibodies to find. Finally, HIV is a very poor replicator; bad copying means mutation, making it hard to destroy with any single combatant.

In spite of such difficulties, the first large-scale clinical trials for an HIV vaccine were approved by the Food and Drug Administration last month. VaxGen, a Californian biotechnology company, will inject 5,000 high-risk US volunteers with a genetically engineered vaccine made from the spikes that HIV uses to enter the immune cells. The hope is that, by injecting this (harmless) portion of HIV, the body will be fooled into creating antibodies.

Depending on which scientist you speak to, HIV is either too sophisticated or too unsophisticated to be beaten by VaxGen's strategy. "Is HIV stupid, or is it smart? In the end it's just semantics," says Dr Montaner. Even if it turns out to be stupid, that may not help much. "A rock is very unsophisticated. But it's very hard to destroy." It will be at least 10 years, according to the scientific consensus, before a vaccine is likely to be found to break it up.





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FINANCIAL TIMES

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Friday July 3 1998

Rescuing Japan's banking system

Japan's readiness to accelerate plans for a bridge bank to take on the business of failed institutions has averted immediate fears of a financial meltdown, but it is far from sufficient in itself to end the country's financial crisis.

Assuming legislation passes the Diet after this month's elections, Japan will have in place the framework needed to sanitise its banking sector. But it must use that framework aggressively to close bad banks and force others to clean up their acts if it is to restore financial confidence.

Three developments are needed for the economy to recover. The first is financial sector restructuring. The other two are further fiscal stimulus through reform to the personal and corporate tax system and a much easier monetary policy from the central bank. Japan's response to international pressure to revive its economy has not yet gone far enough in these two areas, though there have been hints of tax reform after the elections.

For markets struggling to decide whether a turning point has been reached, the difficulty lies in evaluating Japan's piecemeal way of tackling its problems. Partly as a reflection of its political complexity, a once-and-for-all solution was never on the cards. Japan has a long tradition of doing too little too late or promising reforms that are then never carried out.

At its worst, the bridge bank, which can shelter bankrupt institutions for up to five years, could be another instrument for prevarication. But its real value is to enable the banking system to consolidate while preserving the flow of credit to good borrowers. The threat of being forced to join the bridge bank should encourage healthy institutions to address their bad loan problems.

Some Japanese policymakers oppose such profound adjustment, for fear that a banking shakeout will lead to higher unemployment and exacerbate the weakness of consumer demand. They also worry about rising systemic risk. Though these are genuine concerns, the authorities have little choice: they must show clear determination in forcing the sector to adjust. In this connection more still needs to be done to liberalise the property market. This would enable it to clear properly, allowing lenders to liquidate collateral, and encourage fresh investment.

A large test looms in the case of Long Term Credit Bank. If its merger partner, Sumitomo Trust, is expected to absorb it in its entirety, then the market will conclude that little has changed. If, as currently seems more likely, Sumitomo takes on only the good bits, then real change will be under way.

Restructuring will certainly be painful but it cannot be avoided if Japan is to get out of its present trap. Generous provision of liquidity will be needed to offset the fears of systemic risk and get credit flowing to businesses that are capable of generating attractive returns.

The classic concern is that a looser monetary policy would undermine the yen. Yet in the context of concerted and coherent efforts to restart the economy and revive investment, the effect could be exactly the opposite. At the moment fear of exchange market intervention is about the only factor keeping money in the country.

Banker's choice

Frank Quattrone, the American investment banker who has just jumped ship for the second time in two years, offers a lesson in the economics of the business.

Start with the scale of his compensation: tens of millions of dollars at Deutsche Bank where he worked until this week, potentially more at Credit Suisse First Boston.

Can such arrangements ever make adequate returns for the hiring bank? Hot deal-makers manage to hold on to most of the rewards of their activities; their employers bask in glory, but little profit.

Most of all, ponder whether you can build an investment bank by stitching together a handful of successful teams. Without institutional loyalty, such synthetic banks risk fragmenting. Semi-detached offices are particularly vulnerable – Mr Quattrone's high-tech team was based in Silicon Valley, far from Deutsche's strongholds in Frankfurt, London and New York.

A star hiring can best be recruited into a well-established operation, one that has a network capable of exploiting his or her skills. It is increasingly clear that glueing together a disparate collection of teams is unlikely to work properly.

For those European investment banks keen to break into the US market, this raises the stakes still further. If buying teams is not the answer, that leaves only the option of buying a whole bank. Such an acquisition may bring with it institutional loyalties that can be exploited to retain staff – but the stronger the internal culture of the acquired bank, the greater the chance of a clash with the parent. It is an unenviable dilemma.

Sanctions spiral

The row over the "Nazi gold" issue has taken a damaging turn for the worse. After talks failed to produce agreement between US Jewish groups and Swiss banks on compensation to Holocaust survivors, several US states and cities announced this week that they will boycott major Swiss banks, depriving them of pension and bond business.

Both the US and Swiss governments yesterday denounced the move as counter-productive and unjustified, to which Bern also added that it was illegal. They are probably right. But that is only part of the story. The Swiss government is failing to address its own responsibilities, leaving commercial bankers to carry the can.

After nearly three months of talks, the banks made a final offer of $600m, far short of the $1.5bn demanded by Jewish groups. This compensation is on top of repayment of dormant accounts, still being identified by the Volcker committee.

US state and city officials are especially irate about the refusal of the Swiss government and central bank to join their commercial banks in the negotiations. This anger appears to have been fuelled by the State Department's recent report which showed that money passing through the Swiss National Bank was used to pay for vital war matériel from the other neutrals of Portugal, Spain, Sweden and Turkey.

Far from spreading criticism beyond Switzerland – which was partly the State Department's aim – the report merely served to focus US Jewish ire more tightly on Switzerland. Why? Perhaps because Swiss banks provide a tempting target. Perhaps also because the well-documented evidence of the SNB's involvement offers a chance to force an official institution to the bargaining table in a way that can be repeated later in other countries.

At all events, imposing a bank boycott is a big step backward. It will hurt the two major banks involved, UBS and Credit Suisse. But it will also hurt the US. As a senior State Department official warned, it "calls into question the openness and attractiveness" of US financial markets. That may come to matter more when Wall Street's long boom finally ends.

The action is another worrying example of the growing tendency of US local entities to take international law and their country's foreign policy into their own hands. Switzerland might well now be able to take a complaint of discrimination against its banks to the World Trade Organisation.

Though unilateral action by US local officials may at some point justify a WTO test case, this is the wrong issue to choose. What is needed here is at least a delay of US local sanctions to allow a return to negotiation, with the Swiss official authorities at last moving in to lead their side. So far, Bern's conduct has been purely reactive – always following rather than leading, as one might expect from a political system that leaves decisions to popular referendums.

This is not good enough. The recent Swiss-led Bergier report established conclusively that the wartime SNB knew it was handling looted Nazi gold. The time has come for the SNB and its government owners to face up to their responsibilities.

Freight train going so slow

Encouraged by the revitalising effect of US deregulation, Neil Kinnock, EU transport commissioner, plans to force Europe's national rail monopolies to open up to competition, says Michael Smith

Railways, you might think, should be the arteries of Europe's single market. Rail is clean and does not clog up city centres. The middling distances between Europe's main markets should suit rail travel, falling as they do between the long haul of sea or air and the short distances conveniently covered by road. And with intra-European trade increasing fast, the future for railways ought to bright, given the scope for efficiencies that must exist among the heavily subsidised rail monopolies of the continent.

Railways may be Europe's arteries, but they are hardened ones. More than a century after they became an integral feature of Europe, freight traffic is moving at an excruciating average of 16km an hour. No wonder businesses are deserting rail for the road.

Just 16 per cent of all European Union freight traffic (counting travel within and between countries) goes by rail. That is only half what it was in 1970. The decline in freight traffic is accelerating, while rail's share of the passenger market is even more lamentable: 6 per cent. What – if anything – can be done?

Neil Kinnock, EU transport commissioner, thinks he has an answer, or part of one. Encouraged by the revitalising effect of deregulation of the US rail network in the early 1980s, he is planning to force change on a European rail industry renowned for conservatism and outdated business practice.

This year, the European Commission, the EU's executive, plans to lay out what would be the biggest continent-wide shake-up the system has ever seen. If the Commission gets its way, some of the innumerable differences between each country's rail operating systems will be ironed out; public subsidies will be more tightly regulated; and – controversially – the national monopolies will be forced to open up to competition.

A previous attempt to introduce competition, in 1991, failed; in no country has the local operator ceded more than 5 per cent of the market. Mr Kinnock wants to make it more difficult for monopolies to resist competition by opening up 5 per cent of the rail freight market to rivals of incumbents immediately, rising to 25 per cent within 10 years. "Opening up the rail freight market," he argues, "is the only practical course that the rail sector has for gaining market share."

The Commission justifies its plans by saying it has a mandate to introduce a transport single market. Although only about 35 per cent of freight traffic goes across borders, it claims the only way of ensuring international competition is forcing countries to open up internal markets.

Mr Kinnock's liberalisation measures have a better chance of success than more radical proposals rejected by EU countries two years ago. These envisaged opening up the whole freight market immediately and introducing competition in passenger rail.

A sign of the changes affecting the business came recently when the German and Dutch national railways said they would merge their freight operations in the hope of winning back business from road hauliers. Johannes Ludewig, chairman of Germany's Deutsche Bahn, said the new DM7bn company Rail Cargo Europe (which will have 8,000 trains) was the first step towards a genuinely Europe-wide railway company.

All the same, the idea of a network transcending national boundaries will face fierce opposition from rail monopolies and governments.

Throughout most of Europe, the largely state-run rail companies are the last of the old utilities. The European gas, electricity, telecoms and airline industries are all being forced to compete, but rail, led by the French state, has successfully resisted serious reform.

The Commission hopes the financial problems of European rail companies – which lose about Ecu5bn (£3.31bn) a year even after Ecu20bn of government support – will force some of these countries to change. It argues that competition will force efficiency improvements and calculates that a 20 per cent productivity rise would save Ecu15bn annually.

Environmental considerations also play a big part in the Commission's thinking. In April the EU signed a global warming treaty to cut greenhouse gases 8 per cent by 2010. Transport emits a quarter of Europe's greenhouse gases and, alone among large pollutants, it is increasing its emissions. Switching freight from road to rail would have a big impact. Indeed, without putting more freight on the rails the EU is likely to miss its target.

According to the Commission, road traffic, tonne for tonne, emits more than six times as much pollution as rail. A 25 per cent cut in rail freight tariffs would lead to more traffic going by rail and cut transport's carbon dioxide emissions by 3 per cent.

While the future of railways ought to be bright, businesses are deserting rail in favour of the road

Critics say the Commission's calculations are wishful thinking. However, the experience of the US is that deregulation can cut prices and boost demand. The Association of American Railroads says freight prices have fallen an inflation-adjusted 56 per cent since the 1981 liberalisation and that a previous decline in market share has been reversed.

The US reforms loosened regulation of prices and – at the margins at least – increased competition. There were 200 regional railroad companies in 1981; now there are 550. These small companies, claims Tom White, of the Association of American Railroads, have some advantages: "An employee can work the signals one day and call on a customer the next. The companies are less bound to union rules and can be quicker and more flexible in what they offer".

In Europe, flexibility is not rail companies' strong suit. Each country has its own operating system. They use different voltages, signalling systems and tail lights. Most countries insist their own drivers take charge.

So it is hardly a surprise that no one has yet managed to run a successful continent-wide rail system. In 1994, Avesta Sheffield, a steel company, set up its own train service from Sheffield in the UK to Avesta in Sweden. It abandoned the project after six months when only 38 per cent of trains arrived on time. "The performance was not even close to satisfactory," says Evert Wijkander, Avesta logistical manager.

European Rail Shuttle, a joint venture involving P&O Nedlloyd and NS Cargo, had planned 50 trains a week on four pan-European routes. After four years of negotiations with the railway operators it has managed only 20. "You can't imagine what you have to go through to get access to the rails," says Rob Spearings, managing director of Shortlines, which from July plans to run a private freight service five times weekly between Rotterdam and Cologne. "It sometimes seems like a mission impossible."

Rolf Georg, chief executive of GBG in Germany, a private operator of passenger trains, had to wait a year and a half to get a price from Deutsche Bahn, the German national railway company, for running services on its track. "When it came it was unacceptable. We solved the problem with the help of the European Commission."

Within the next few weeks, the Commission will produce its proposals for improving access to rail networks by establishing guidelines on infrastructure charges and the allocation of capacity. The aim is to ensure new entrants are not discriminated against. Later this year it plans to lay down more precise rules on government aid to rail companies. This will not necessarily restrict state aid but should make grants more transparent.

The Commission will then seek support for its plan to open up 5 per cent of the freight market immediately, progressing in equal steps to 15 per cent after five years and 25 per cent after a decade.

SNCF, the French rail monopoly, says the proposals will increase regulation. "Historically the aim of the common transport policy has been to remove barriers but now the Commission wants to have quotas," says Gui Hoedtz, SNCF representative in Brussels. "We find that rather a strange idea."

Jean-Claude Gayssot, France's transport minister, says the Commission's plans could deprive rail companies of their best routes and the "balance of undertakings will be threatened".

"Competition already exists – with other modes of transport," he says, adding that the rail industry is already increasing business by better co-operation within the sector, for example along pan-European "freeways" where rail companies co-ordinate freight operations. Mr Gayssot gives warning of demonstrations against the "social aspects" of the Commission's reform in an industry which in France alone has lost 75,000 jobs in the last 10 years.

With Germany, the UK and the Netherlands supporting reform, the fate of the Commission's proposals will depend largely on Italy and Spain. While both have traditionally opposed restructuring, some diplomats now detect a change. "I get the impression they would like to use the cloak of Brussels to force through reform," says one.

In Italy the national rail company's annual losses are equivalent to about 3 per cent of gross domestic product. If Mr Kinnock can convince the governments in Rome and Madrid that opening up rail markets can halt the sector's decline, save money and improve the environment, he may be able to push the reforms through.

If he does not, he has no doubts about the consequences. "The choice for the industry is to accept change to conventional culture and practice or to be pushed to the margins of existence."

OBSERVER

Gerhard goes west

Gerhard Schröder may be favourite to take the Chancellery bungalow from Helmut Kohl this autumn, but the SPD's man of the moment is sharp enough to realise he's not yet the finished article. Today Schröder is in Paris cementing relations with the neighbours across the Rhine. He's also hired Brigitte Sauzay – author, intellectual and sometime interpreter to François Mitterrand – to be an adviser on Franco-German relations.

It all highlights Schröder's determination to fill in the gaps in his experience after eight fun-filled but necessarily parochial years as the premier of Lower Saxony.

Sauzay should be able to bring him up to speed on the twists and turns of the Paris-Bonn relationship before you can say Versailles. She studied in Freiburg, southern Germany, in the heady days of the late 1960s and is co-founder of an institute to foster Franco-German relations just outside Berlin. Sauzay is also the author of a number of books about Germany, including a critical tome whose title roughly translates as "the German ecstasy".

Not everyone in Bonn was ecstatic over her appointment yesterday. Some spoilsports in the government camp have wondered out loud whether it is ethical for the formidable lady to take a job working for Schröder after interpreting all those meetings between Mitterrand and Kohl. Sounds like sour grapes in any language.

Risky business

So Mathis Cabiallavetta, 53, UBS's embattled chairman, lives to fight another day. The Swiss Banking Commission's verdict on UBS's hefty derivative losses – which happened on Cabiallavetta's watch – turned out not to be the ticking time-bomb that would bring down Switzerland's most powerful banker.

There is much talk in the report about flaws, weak spots and even misconduct. But at the end of the day Cabiallavetta and his key lieutenants escape without an official reprimand. Indeed, Daniel Zuberbühler, the bearded socialist boss of Switzerland's banking watchdog, has gone out of his way to pat poor old Mathis on his bad back. Cab was not ignorant or greedy, but a risk-conscious professional and a strong leader, says Zuberbühler. His words would have been a mite more convincing if he had asked someone other than ATAG Ernst & Young, UBS's own auditors, to review the effectiveness of the bank's procedures for controlling risks.

Dixie spin

It is the end of an era in the demure Paris district of La Muette as Peter Gaskell, veteran voice of the Organisation for Economic Co-operation and Development, steps down. For the past 25 years, it has fallen to Gaskell to explain the bewildering acronyms and jargon that are the daily fare of the brain-boxes at the think tank owned by the world's industrialised countries. But now, at 62, he'll spend more time playing trad jazz clarinet in his Paris-based "Dixie Doctors" band.

In millennial mood, Gaskell says his career at the OECD spanned the BC and AD eras: "before computers" and "after downsizing". With member countries keeping the purse-strings tight, the second tag sounds a bit optimistic.

Some you Win

Rangoon's tea shop rumour-mill is alive with speculation about the health of Ne Win, the octogenarian founder of the modern Burmese military. But it's hard to tell whether the shadowy Godfather really has passed into some authoritarian heaven. The reclusive Ne Win shunned public appearances even when he was the country's official leader. In recent years he's been sighted only rarely.

For all his low profile, there's little doubt Ne Win has continued to wield clout in Burma's ruling military junta. The regime's current strongman, intelligence chief General Khin Nyunt, used to carry the old man's umbrella. The regime unafraid of courting international opprobrium by isolating Nobel laureate Aung San Suu Kyi is thought to fear his death; Ne Win's passing might just undermine military unity or prove a trigger for popular protests.

So could Ne Win be strapped – metaphorically – to his horse like the old Spanish warrior El Cid, who was sent out to awe the enemy even after death? Last year he was spotted in Jakarta and he won't want to "die" until it is clear the junta isn't going to go the same way as his old friend, former President Suharto of Indonesia.

Certainly Ne Win wouldn't want the troublesome daughter of his old army colleague, independence hero Aung San, to eventually take his place.

Wet, wet, wet

It's been a miserable summer, with embassies across Europe seeing their garden parties turned into soaking soirées. Canada's National Day celebration in Warsaw this week was hit by a near-tropical downpour, even though Serge April, Ottawa's man on the spot, had rosary beads in his pocket to keep the rain at bay.

His mistake, according to Jonathan Thwaites, the outgoing Australian ambassador who boasts a record of four sunny national day parties, was not to hang a whiskey bottle in a tree. It never fails, he claims. French envoy Benoit d'Aboville disagrees. He'll be giving 60 eggs to a nearby convent ahead of his July 14 bash. The hot-blooded Argentines just stick a sword in the grass.

The Financial Times 50 years ago

Kuwait's Oil Output
Market circles are pleased that the Kuwait Oil Company, jointly owned by Anglo-Iranian and Gulf Oil, has decided to publish monthly production figures. Output for May amounted to 421,086 tons and for the first five months of 1948 to 1,577,757 tons, compared with 2,185,308 tons during the whole of 1947. Current production is thus running at an annual rate of 5 million tons, and is believed to be rapidly heading for a 10 million ton rate. This is remarkable progress indeed.

Dar-Es-Salaam Port Delay
Dar-es-Salaam, July 2. Members of the Chamber of Commerce here have expressed strong views on the lack of storage and harbour facilities resulting in a position described by them as "tragic and growing worse." Leading shippers say that unless something is done immediately it may be necessary to divert shipping from the United Kingdom or reduce the number calling here. This would affect Tanganyika's whole development programme. "I hate to think what is going to happen when groundnuts from Kongwa and lead from Mpanda begin to arrive," was one comment.

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THE LEX COLUMN

Bridge over troubled waters

The currency markets have decided they do not like Japan's bridge bank plan. In a perfect world they might perhaps be right. But in the real world it is a positive development. The bad loan problem has hurt the economy and jeopardised financial stability. Now a mechanism exists to address it.

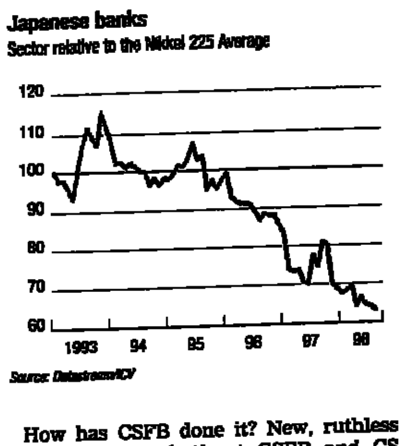
As ever, the proof of the pudding will be in the eating. Uncertainties abound. What criteria will be used to decide whether a bank has failed, especially those that fail to meet international capital adequacy norms but are not completely insolvent? How will a borrower be adjudged "good" or not? When do good banks and borrowers become bad? Will bad managers take the rap?

It will be some months before answers are available. But one thing is clear: if they fail to pass muster with the markets, the scheme will be worse than useless. The ensuing financial instability could further devastate the region.

To avoid this, the new Financial Supervisory Agency will need to deliver some red meat when it conducts its bank inspections over the next few months. If it attempts to offer a clean bill of health to the top 19 banks, the game will be well and truly over.

The trick for the authorities is to be robust with the banks, while minimising the economic fall-out. It is a fine line. The temptation will be to avoid disruption, especially job losses. But the authorities will quickly discover they have little room for manoeuvre. A feeble approach would invite, and receive, a market-mauling. Japan's allies, who would suffer from the backwash, are unlikely to give it the chance to try. The best guess, then, is that the scheme will have some teeth. For investors, that would be good news.

Japanese banks
Sector relative to the Nikkei 225 Average



Source: Datastream/ICV

CSFB

A few years ago Credit Suisse First Boston was in investment banking's relegation zone. The organisation was riven by infighting, profits were low and it was hard to attract and keep good staff. Now it is back in the first division. Indeed, it has embarked on an aggressive expansion strategy – first most of BZW, then Brazil's Banco Garantia and now Deutsche Bank's high-tech stars – that could see it climbing the rankings.

How has CSFB done it? New, ruthless management – both at CSFB and CS Group, its parent – is part of the answer. Low-margin businesses have been shrunk and capital reallocated to higher-profit operations. Strip out corporate lending and CSFB is making returns of 30 per cent – in line with its "bulge bracket" peers. Having put its house in order, CSFB is now building up equities and corporate finance, traditional weak spots.

If management were the complete story, Deutsche's shareholders – who have seen their once-mighty bank slip down the league of Europe's most valuable banks – might take heart. After all, improved leadership could save their investment bank too. But CSFB's rebound has also been aided by its strong US franchise. The lesson from both it and Lehman, which has also bounced back, is that it is hard to destroy such franchises. The lesson from Deutsche is that it is near impossible to build them.

US banks

The US economy is strong, profits are healthy and bad debts low. It is at this dangerously benevolent point in the cycle that banks tend to store up trouble. The regulators have taken this on board, by warning early and publicly against relaxing lending standards. The Federal Reserve's caution this week echoes that of the Federal Deposit Insurance Corporation in May.

Unfortunately, they may be fighting the last war. Both the Fed and the FDIC singled out property and construction loans, which were at the heart of the US banking crisis earlier this decade. In the late 1990s, they should perhaps be focusing on high-technology lending and derivatives. And with most bank executives keenly aware that any stumble in their growth will expose them to takeover, the warnings may fall on deaf ears. Where the mistakes are being made will not become clear until the next recession.

For now, the banks offer decent earnings growth of 10-15 per cent for 1998 and limited exposure to Asia, apart from a few high-profile names. Yet their shares have underperformed the US stock market by nearly 10 per cent this year. So far investors have chiefly worried about rising interest rates and the wisdom of this spring's mega-mergers. Add increasing concern over credit quality and the outlook for the sector is less than rosy.

General Electric Company

General Electric Company has kept its eye on the ball to produce decent results in difficult conditions. Despite the strong pound, a 7 per cent rise in profits on flat sales shows Lord Simpson has inherited Lord Weinstock's love of stamping out fixed costs. But this is not what he will be judged on. Broader strategic questions are more important to investors now. As the tectonic plates of the defence and telecommunications industries shift, GEC cannot afford to fall between the cracks.

So far, so good. From being a generally eclectic company hidebound by joint ventures, GEC has rightly focused on its core defence electronics business, now bolstered by the Tracor acquisition and Alenia alliance. Thus the company has shown it is both a good European and a player in the US too. But the next step is critical: pouncing on all or parts of Northrop might preclude a link-up with Thomson of France, which is a better fit but may never become available.

Another tough decision will be who to partner in telecoms, now that GPT has lost Siemens' international sales network. Acquisitions look expensive, but alliances may limit hard-won freedom. Culling treasured parts of the low-growth industrial electronics division will also require hardheartedness. But the current pace of change is certainly encouraging.

Brazil moves to open oil market to competition

By Geoff Dyer in São Paulo

Brazil yesterday took its first big step towards opening the country's oil sector to foreign competition by ending the 45-year monopoly on exploration and production of oil held by Petrobrás, the state-controlled oil company.

The new industry regulator outlined several of Petrobrás' production and exploration areas that would be taken away from the company and opened to bidding by foreign companies.

In doing so, it clarified what areas would remain under Petrobrás' control, thereby opening the way for the state company to sign joint venture agreements with international oil groups.

David Zylberstajn, director-general of the National Petroleum Agency (ANP), the new regulator, said the announcement was "a crucial stage in the liberalisation of the state monopoly over oil".

At least 70 foreign companies, including Shell, Exxon, and British Petroleum, have approached Petrobrás in search of joint ventures. The government hopes the introduction of foreign capital will lead to a substantial increase in the production of oil and a reduction in imports.

In terms of sales, Petrobrás is the largest company in Brazil and one of the 20 largest oil companies in the world.

Initial analysis of the ANP's decision suggested Petrobrás had lost slightly more exploration areas than analysts had expected but full details were not immediately available.

At the end of last year, Petrobrás submitted a request to the ANP for the areas where it wanted to maintain production or exploration. Petrobrás was required to prove that it was already producing in these areas or had the capability to produce oil within three years.

The ANP yesterday awarded Petrobrás the authority to operate on an area 32.5 per cent smaller than the group had requested, or 459,000 square kilometres.

Petrobrás will retain control of 92 per cent of the areas where it already produces and 66 per cent of the areas where it is exploring.

Petrobras has signed 37 preliminary joint ventures with foreign oil companies and can now confirm those agreements which cover areas that will remain under its control.

The ANP expects to start selling exploration concessions this year for the areas Petrobrás does not control and the first contracts are expected to be signed in the first quarter of early next year.

Mr Zylberstajn said that Petrobrás' proven oil reserves of 8.5bn barrels would not be reduced as a result of the announcement.

However the group's total reserves, including possible and probable finds, would be lower. The company's production target of 1.5m barrels a day by the year 2000 would still be viable, he said.

Petrobrás is not part of the Brazilian government's huge privatisation programme.

Commodities, Page 26

Kiriyenko threatens to seize Gazprom assets over unpaid tax

By John Thornhill in Moscow

Sergei Kiriyenko, Russia's prime minister, yesterday launched an extraordinary attack on Gazprom, the country's biggest company, threatening to seize its assets and shake up its management unless it paid its taxes in full.

Mr Kiriyenko said the state must use its 40 per cent shareholding in Gazprom to exert greater control over the company.

If necessary, he added, he was prepared to rip up the government's existing trust agreement with Gazprom and increase the number of state representatives on the company's 11-person board from five to six to gain majority control.

President Boris Yeltsin said he supported the government's action, which prompted a furious reaction from the company, outrage in parliament and concern among some foreign investors.

The government's aggressive stance appears to be at least partly prompted by pressure from the International Monetary Fund to strengthen public finances. An IMF team has this week been conducting talks with the government over the possibility of additional financial support. Gazprom's critics, including the IMF, allege the company had unique privileges as a result of its close ties to the government, and evaded its fair share of taxes. Victor Chernomyrdin, the former prime minister, helped create Gazprom as a commercial company in the early 1990s.

After meeting Gazprom officials, Boris Nemtsov, deputy prime minister, said the company had agreed to pay its taxes in full from July 1 as long as government organisations paid their own gas bills. Gazprom will now pay Rbs4bn ($645m) a month in taxes, compared with the Rbs3.3bn it claimed it paid in June.

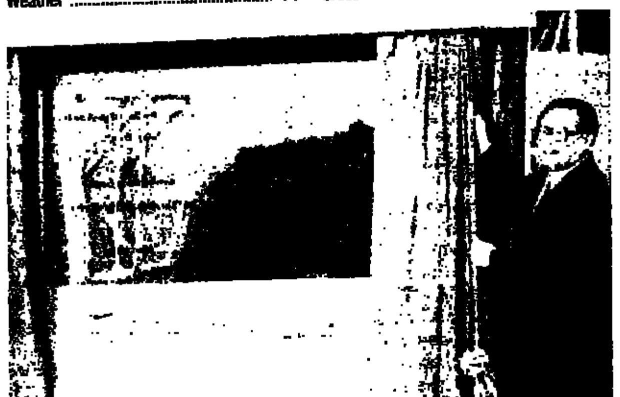
"In connection with these decisions, the tax inspectorate will stop all seizures of Gazprom property," Mr Nemtsov said. The Interfax news agency reported tax inspectors were ready to seize an array of assets including aircraft, cars, buildings and hunting lodges.

Separately, the government moved to seize the assets of a subsidiary of Norilsk Nickel, the giant nickel producer, which forms part of the financial-industrial group run by Vladimir Potanin, one of Russia's most powerful businessmen. The government alleges Severonickel has a big outstanding tax bill.

Some MPs reacted furiously to the government's assault, accusing ministers of jeopardising the national interest. Gennady Zyuganov, the Communist party leader, said: "We know that the IMF put the condition of carving up the natural monopolies, in return for a new loan of $10bn to $15bn." Mr Kiriyenko rejected these accusations, saying he had no intention of harming Russia's biggest hard currency earner. "A strong Gazprom is extremely important for a strong state."

Bernd Fahrholz, a board director of Dresdner Bank, the German bank which helped Gazprom raise $6bn of external loans last year, said he would be concerned if the government went too far in freezing company assets.

CONTENTS


China's President Jiang Zemin yesterday opened Hong Kong's new Chek Lap Kok airport, the world's largest. Report, Page 6 Picture: AP

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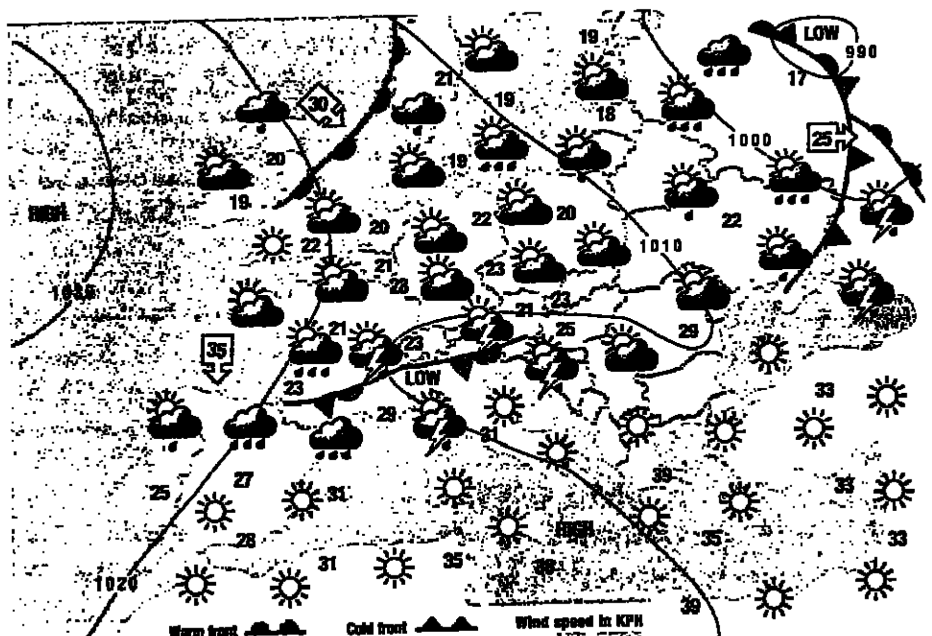
FT WEATHER GUIDE

Europe today

Northern and western Scandinavia will have outbreaks of rain, but southern areas will have sunny spells apart from some showers over southern Sweden. From western Russia to the eastern Black Sea, there will be thundery showers. The Alps, southern France and northern Spain will have thunderstorms. An area from the western Black Sea to northern parts of central Europe will have sunny spells. The Mediterranean will be sunny — hot over southern Italy, Greece and Turkey.

Five-day forecast

Scandinavia and north-eastern parts of Europe will have showers or longer spells of rain. It will become cooler over western Scandinavia from Sunday. Central and eastern Europe will be cool and showery, but western Europe will become warmer and more settled until the middle of the week.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES (Maximum Celsius)

Abu Dhabi	Cloudy	39
Accra	Fair	29
Algiers	Sun	31
Amsterdam	Fair	20
Athens	Sun	39
Atlanta	Thunder	34
B. Aires	Fair	12
B.ham	Fair	21
Bangkok	Fair	34
Barcelona	Thunder	30
Beijing	Shower	28
Belfast	Fair	18
Belgrade	Fair	23
Berlin	Fair	22
Bermuda	Cloudy	28
Bogota	Cloudy	19
Bombay	Rain	31
Brussels	Fair	21
Budapest	Fair	25
C.hagen	Fair	19
Cairo	Sun	37
Caracas	Cloudy	32
Cardiff	Fair	20
Casablanca	Fair	24
Chicago	Thunder	31
Cologne	Fair	23
Dakar	Fair	30
Dallas	Thunder	37
Delhi	Cloudy	29
Dubai	Sun	40
Dublin	Fair	19
Dubrovnik	Sun	32
Edinburgh	Fair	21
Faro	Sun	28
Frankfurt	Fair	23
Geneva	Thunder	23
Gibraltar	Sun	29
Glasgow	Fair	20
Hamburg	Cloudy	18
Helsinki	Fair	19
Hong Kong	Rain	32
Honolulu	Cloudy	32
Istanbul	Sun	32
Jakarta	Fair	32
Jersey	Fair	18
Johannesburg	Fair	18
Karachi	Cloudy	38
Kuwait	Sun	46
L. Angeles	Sun	24
Las Palmas	Fair	28
Lima	Cloudy	20
Lisbon	Fair	25
London	Fair	22
Lux.bourg	Fair	23
Lyon	Thunder	23
Madeira	Fair	24
Madrid	Fair	27
Majorca	Sun	31
Malta	Sun	38
Manchester	Fair	20
Manila	Shower	34
Melbourne	Cloudy	11
Mexico City	Cloudy	26
Miami	Thunder	34
Milan	Thunder	29
Montreal	Thunder	28
Moscow	Thunder	17
Munich	Shower	21
Nairobi	Fair	23
Naples	Sun	34
Nassau	Cloudy	31
New York	Sun	29
Nice	Fair	27
Nicosia	Sun	39
Oslo	Fair	21
Paris	Shower	21
Perth	Rain	15
Prague	Shower	23
Rangoon	Rain	31
Reykjavik	Rain	13
Rio	Fair	18
Rome	Fair	31
S. Frsco	Fair	19
Seoul	Cloudy	29
Singapore	Thunder	32
Stockholm	Fair	18
Strasbourg	Thunder	28
Sydney	Cloudy	15
Tangier	Fair	26
Tel Aviv	Sun	33
Tokyo	Fair	29
Toronto	Fair	28
Vancouver	Fair	20
Venice	Thunder	29
Vienna	Shower	21
Warsaw	Shower	20
Washington	Fair	32
Wellington	Fair	13
Winnipeg	Sun	23
Zurich	Thunder	23

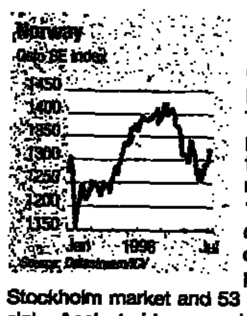
INSIDE

GM strike spreads to parts suppliers
The impact of the General Motors strike spread to others in the US automotive industry as two more parts suppliers reported lost sales and profits as a result of the 26-day stoppage. Page 20

UN sanctions shake diamond sector
Diamond sector confidence was undermined when the United Nations imposed sanctions on the economic activities of Unita, the rebel movement. The sanctions cover not only Unita's diamonds but all diamonds exported without a government export certificate. Page 26

Middleton resigns at Salomon
Peter Middleton is stepping down as European chief executive of Salomon Smith Barney, the US investment bank. Page 20

Oil worries hold Oslo bourse back



While many bourses around it have hit record highs this year, Norway's all-share index has bucked this trend. Though it had risen 250 per cent in the previous five years, the performance so far in 1998, up 1.9 per cent, is especially moribund when compared with the 25 per cent rise on the Stockholm market and 53 per cent growth in Helsinki. Analysts blame weak oil prices. Page 36

Grain report sees more uncertainty
The International Grains Council's latest report predicts that economic turmoil in Asia will continue to cause uncertainty for grain exporters this year. Global wheat production is forecast to reach 598m tonnes in the 1998-99 season, just below last season's record of 609m tonnes. Page 26

Commerzbank eyes Lyonnais units
Germany's Commerzbank said it was in talks with Crédit Lyonnais about buying the French bank's Stockholm and Copenhagen arms. Page 18

Factory outlet centres explained
Factory outlet retail centres, a new concept in the UK, have performed worse than any category of listed real estate investment trust in the US, where the idea is well established. Why then should traditional UK property investors believe that they can earn money by owning factory, or designer, outlet malls? Property Column, Page 20

Aluminium declines to four-year low
Aluminium for delivery in three months on the London Metal Exchange fell to a four-year low of $1,291.50 a tonne. Page 26

Nomura's bid uses new technique
Nomura's principal finance arm is likely to finance the bid for Thorn by issuing bonds, backed by cash flows from Thorn's rental business. This method will bring investment banks as principals into a mergers and acquisitions world hitherto dominated by their clients. Page 22

COMPANIES IN THIS ISSUE

CROSSWORD, Page 26

MARKET STATISTICS

Internet company shares continue to soar

Statements by Netscape and DoubleClick fuel new bout of investor fever

By Louise Kehoe in San Francisco and Christopher Parkes in Los Angeles

Shares in Netscape Communications and DoubleClick, two prominent US internet companies, surged yesterday for the second day running in the latest dramatic demonstration of internet investment fever.

Netscape was trading yesterday at $40 in mid-session, up from $35 11/16 on Wednesday's close and ahead 42 per cent since the beginning of the week. DoubleClick, which opened on Monday at $44, was trading at $68⅝ in mid-session yesterday, a gain of 55 per cent on the week.

The sharp gains appear to have been prompted by speculation that large media companies may be about to invest more in internet businesses following NBC's recent move to invest in Cnet, an internet news service, and Disney's acquisition of a stake in Infoseek, which operates an internet portal, or gateway web site.

But while other internet companies made modest gains, Netscape and DoubleClick soared after making statements that investors interpreted as positive signals.

While there have been no suggestions that Netscape or DoubleClick intended to mislead investors, it appeared that enthusiastic investors, perhaps receiving abbreviated "alerts" via pagers or the internet, read more into the companies' statements than they had intended to convey.

Netscape fuelled investor excitement on Wednesday when a company executive said in a television interview that the company was in talks with the "big five" US media – Walt Disney, News Corporation, CBS, NBC and Time Warner.

Mike Homer, Netscape executive vice-president, said it was seeking partnerships with "content providers" to add more news and entertainment features to its Netcenter web site – relaunched this week as an internet portal. Although Mr Homer was speaking of potential deals to provide information resources for Netscape's web site, his remarks led to speculation the company was seeking outside investors, or putting itself in play, analysts said.

Similarly, shares of DoubleClick took off on Wednesday after the company issued a statement claiming that its "audience reach" was third only to those of America Online and Yahoo!, which each attract millions of users daily.

AOL and Yahoo! are two of the most highly valued companies in the internet sector with market capitalisations of $24bn and $7.8bn respectively.

DoubleClick, even after the rise in its share price, has a market valuation of just over $1bn.

The gain in DoubleClick's shares prompted officials at the Nasdaq Stock Market to request that the company issue a statement disclosing any developments that might explain the unusual trading. Nasdaq said DoubleClick responded saying it was company policy not to comment on unusual market activity.

More than a dozen bidders are to be invited to start talks to acquire PolyGram Filmed Entertainment, Europe's largest film group, whose movies include the forthcoming 'Plunkett and MacLeane' starring Jonny Lee Miller (left) and Robert Carlyle. Report, Page 18

Red chip deals lift Hong Kong stock market

By John Ridding in Hong Kong

Mainland-backed companies in Hong Kong yesterday announced a series of acquisitions marking a revival of activity in the dormant "red chip" sector and fuelling a rally on the stock market.

Beijing Enterprises, the Hong Kong investment vehicle of Beijing's municipal government, said it would spend about HK$1.6bn (US$207m) on a water treatment plant and other assets on the mainland.

Shanghai Industrial, the investment arm of the Shanghai city government, announced it would spend a similar amount on investments in Hong Kong.

Shares in Beijing Enterprises rose sharply on the announcement of the deals, climbing 6 per cent to HK$12.70. The broader red chip index, which has lost more than 60 per cent of its value over the past year, gained 26 points to 954 on hopes of further deals and an interest rate cut in China.

The deals reflect different motives on the part of the red chips – the Hong Kong-based arms of mainland conglomerates or government agencies.

Cai Lai-xing, chairman of Shanghai Industrial, said his company's plans to build a cigarette plant, develop food production facilities and expand its semiconductor component operations underlined its strategy of increasing its presence in Hong Kong.

"Although Hong Kong's economy has been hit hard by the Asian currency turmoil, its basic competitive advantages remain," said Mr Cai. "It is our firm belief Hong Kong will not only overcome the momentary difficulties but will also recover faster than others."

Beijing Enterprises, which marked the peak of investor demand for red chips when it listed in Hong Kong last year, said its proposed deals were designed to expand its earnings base and enhance profits.

Apart from the water treatment plant in Beijing, which will provide a guaranteed minimum annual return of RMB210m ($25m), the conglomerate will buy stakes in a tourism company, a manufacturer of air-conditioning equipment and two wineries.

While investment analysts in Hong Kong said the deals reflected a lack of commercial logic between the company's activities and saw little immediate impact on profits, they welcomed the resumption of asset injections from the mainland.

Meanwhile, shares in China Resources, one of the oldest and largest red chips, were suspended amid expectations it would shortly unveil the purchase of a controlling stake in HKCB Bank, a joint venture with Lippo Group, the Hong Kong-listed flagship of Indonesia's Riady family.

China Resources declined to comment but investment analysts believe the deal – estimated at about HK$1.1bn – should double its existing 30 per cent stake at about half of the price paid for its initial stake last year.

SEC breakthrough for Tradepoint

By George Graham in London

Tradepoint, the electronic stock market that has struggled to break the London Stock Exchange's domination of UK share trading, has moved closer to being allowed to offer US brokers and fund managers direct access to its trading system.

The Securities and Exchange Commission approved for publication, in the US federal register, Tradepoint's application to be exempted from registration as a national exchange. It will now be published for comment before the SEC takes a final decision this year.

If approval is granted, US investors could be trading directly on Tradepoint by the fourth quarter, making it the first foreign securities exchange to allow remote access from the US.

Some futures exchanges, which are separately regulated, are already accessible in the US.

The SEC has been wrestling with the challenges of globalisation and technological change, attempting to work out how to regulate businesses such as Instinet, the share-trading business owned by Reuters, which though registered as a brokerage is seen by some as having many of the attributes of an exchange.

Although European exchanges such as the London Stock Exchange have the technological ability to offer remote membership to US firms, they have been unwilling to do so in case the SEC required them to register as a US exchange.

Steven Lofchie of the US law firm Davis, Polk & Wardwell, which acted for Tradepoint, said yesterday's decision "shows the willingness of the SEC to innovate with respect to both technologically advanced trading systems and global markets".

Approval would be a significant step towards the financial viability that has so far eluded Tradepoint. Its shares had fallen from a peak of 148¼p eight months ago to a historic low of 30½p, but rose 6p yesterday to 26½p.

Tradepoint will be limited by the SEC to a maximum of 10 per cent of worldwide trading in UK equities. With daily turnover now averaging around £4bn, that leaves plenty of headroom for the fledgling exchange, which is handling around £40m a day of business.

"If we did more than £300m a day, we could start to have a problem, but it's a problem I would love to have," said Nic Stuchfield, Tradepoint's chief executive.

Saab supply hitch leaves US short of new luxury model

By Greg McIvor in Stockholm

Saab Automobile, the troubled Swedish carmaker, has virtually run out of its new 9-5 luxury saloon at its US dealerships because of a failure to allocate sufficient supplies to its biggest market.

The company – managed and half owned by General Motors of the US – said oversupply to some European markets, coupled with distribution bottlenecks in the US, severely hit sales in the US in June.

Saab last night blamed a planning error which resulted in insufficient exports of the European-produced 9-5 model to the US. The US is the company's most important market.

It sold 28,300 cars there last year out of total sales of 100,300. Demand for the new model has been strong following favourable reviews from industry experts. However, many showrooms have only a couple of 9-5s left, compared with a customary 15 to 20 cars.

Olle Axelsson, a senior Saab official, said: "If we only had the cars, we could sell them. The shipment of cars from Sweden has been too low."

The logistical mishaps, coming less than two months after the 9-5's launch in the US, are a blow to the company's attempt to return to profit this year after several years of deep losses. The success of the 9-5, launched in April, is seen as crucial to Saab's survival as a niche producer of premium cars in a fiercely competitive market.

Saab has pledged to emerge from its long period of deficit by the end of this year, forecasting a 10-12 per cent rise in its US sales in 1998. However, US sales revenues in the first six months fell by 7 per cent.

The company has accumulated losses of SKr12bn ($1.5bn) since 1989 when GM bought a 50 per cent stake from Investor, the main investment arm of the Wallenberg industrial empire. Last year, losses totalled SKr1.8bn on sales of SKr22.4bn.

Volvo wants to be alone, Page 18

UBS chief cleared over $409m derivatives losses

By William Hall in Zurich

Swiss bank regulators have cleared Mathis Cabiallavetta, chairman of the new UBS, of responsibility for the SFr625m ($409m) of derivatives losses sustained in 1997 by his Union Bank of Switzerland before it merged with Swiss Bank Corporation.

However, Switzerland's Federal Banking Commission has ordered the bank to improve its controls.

It said the main reasons for the losses in UBS's global equity derivatives (GED) business and on trading in Japanese convertible bonds were: the result of misconduct by unnamed individuals; because of a wrong assessment of the market in the GED and fixed income, currencies and derivatives units; and because of various weaknesses in controls.

The report had been eagerly awaited in Switzerland where there had been speculation that UBS's heavy derivatives losses and allegedly lax risk management controls had helped precipitate an effective reverse takeover by the smaller SBC.

However, while yesterday's report spoke of a number of flaws and weak spots in UBS's control systems, it fell short of censuring top executives who have all assumed senior positions in the new bank.

Daniel Zuberbühler, the commission's director, did not specify which individuals inside UBS had been responsible for misconduct. However, he indicated they no longer worked for the new UBS. He was also especially critical of the exceptionally high bonus levels in the equity derivatives area which he described as an "absolute evil".

The regulator said errors in the pricing model of some spread options and Japanese convertible bonds were not fully recognised by the business units concerned and were inadequately monitored.

The regulator commissioned UBS's external auditors, ATAG Ernst & Young, to audit procedures to control trading risks of the new UBS.

Observer, Page 13

JAPAN LARGEST TRUCK MANUFACTURER OFFERS YEAR-LONG VOLUNTARY PAID LEAVE FOR WHITE-COLLAR WORKERS

Hino seeks 200 lay-offs as demand slides

By Alexandra Harney in Tokyo

Hino Motors, Japan's largest truck manufacturer, has taken the unusual step of temporarily laying off part of its workforce to reduce labour costs, amid declining demand from Japan and Asia.

Hino's move to encourage year-long voluntary paid leave for up to 200 employees, or 4.2 per cent of its white-collar workers, is the first of its kind in the industry. The initiative is striking because lay-offs, common in the US and Europe, are rare in Japan.

"The extremely difficult conditions in the domestic and overseas markets contributed to our decision," the company said. Hino, which specialises in heavy trucks, has been particularly affected by the slide in demand in the construction and transport sectors, analysts said. Last year, the company's net earnings plunged 77 per cent, from Y7.24bn to Y1.65bn ($11.9m). Sales were down 7 per cent, from Y632.72bn to Y589.21bn.

Japanese car and truck makers have been among the hardest hit by the Asian financial crisis and the domestic economic downturn. Truck sales declined more than any other category of vehicles in June, falling 33.7 per cent year-on-year during that period and 39.2 per cent in the first six months of the year, according to an industry group.

Meanwhile, competition in the market has increased as car makers move to keep pace with global consolidation by making alliances with US and European manufacturers. Mazda has a long-standing alliance with Ford, and Nissan announced earlier this year it would sell part of its diesel truck operations to the Daimler-Chrysler group.

Hino's cuts, which will start in September, will be mainly in the administrative and factory inspection divisions. The employees concerned, who will be given the option of returning to work after a year, will be paid between 60 per cent and 80 per cent of their monthly salaries as well as a Y50,000 monthly allowance if they enrol in computer or other training schools.

Although the scale of the lay-offs is small, it contrasts with other companies in the industry, which have responded to deteriorating market conditions with accelerated retirement programmes and a freeze on new hiring.

This reflects a departure from the industry's tradition of maintaining employment levels despite economic decline, highlighted by a recent application by Japanese truck makers to the labour ministry for subsidies to cover the cost of excess workers.

The tradition of life-long employment, a key feature of Japanese industry and the bureaucracy, has been undermined by government reform of the civil service and the slide into recession. Unemployment in Japan reached a record 4.1 per cent in May – or 2.9m – and is expected to keep rising.

Hino, which said it aimed to improve the quality of its workforce by encouraging employees to obtain training in job-related areas, did not rule out further lay-offs.

Industry analysts said Hino's move could signal deeper employment cuts in the future, but they cautioned it was unlikely to improve the company's profitability significantly.

Fuyuki Fujiwara, analyst at Salomon Brothers, said that in the face of lower output "it is an interim measure to alleviate some of the pressures from having too many people".

Thai banks take a fresh look at debt

Restructuring is the current buzzword, but some bankers already have doubts, report **Ted Bardacke and Peter Montagnon**

With the massive recapitalisation task facing Thailand's banks less than half-finished, it is surprising that the industry's agenda is no longer topped by questions of share issues, foreign takeovers and capital ratios.

Instead, with the economy floundering, the buzzword in banking circles is debt restructuring. Non-performing loans are growing so fast across the system – from about 20 per cent at the end of the year to the latest central bank estimate of 27-30 per cent – that no amount of new capital appears to be sufficient unless banks reduce their bad debt burden.

That is easier said than done. Thai authorities have rejected trying to emulate Japan, where banks were encouraged with easy credit to grow out of their bad debt problem. The government has also ruled out, for the moment, any direct intervention with either foreign or domestic creditors by providing a binding framework or government funds for debt restructuring.

Rather, in recent weeks the central bank has issued guidelines for reclassifying restructured loans to performing status, and the finance ministry has removed a series of tax disincentives that in effect blocked negotiations between debtors and creditors.

Those negotiations will now be assisted by a central bank-led committee working full time on debt restructuring. A new bankruptcy law and foreclosure procedures, which will give an added impetus to negotiations by bringing reluctant debtors to the table, are expected to be in place by October.

"The government has really made this an issue... and has done all it can at the moment," says Banthoon Lamsam, president of Thai Farmers Bank and chairman of the Thai Bankers Association. "The tax and legal system is not ideal but it's better than before."

The trick now, says Tarisa Watanagase, director of the financial institutions regulations department at the central bank, is to ensure that the restructuring process does not become a mass of roll-overs but instead involves both creditors and debtors "bearing the losses up front".

But with Thailand having never experienced a write-off of this sort, some bankers already have doubts about the process, especially since some banks do not yet have the capital to bear such losses.

"It is nearly impossible to clean up [many of these loans]," says Sathit Uthaisri, group executive vice-president at Bangkok Bank. "There are one thousand and one kinds of creditors, including foreigners. No two creditors think alike. We are just going to have to write them off or sell them to someone at any price."

Mr Banthoon says Thai Farmers has a dedicated team working on debt restructuring but so far has been unable to complete even one deal, although "a lot of them are 80 per cent complete".

One significant problem, according to Ms Tarisa, is that during the real estate boom many exporters got involved with property development, projects that have now gone sour. This means any loan to the entire group, including the profitable side of the business, is classified as problematic. In addition to hurting exporters' ability to raise working capital, banks are suspicious that new funds attached to restructuring will be siphoned off into the bad businesses, which are often held personally by large shareholders of profitable companies.

Nevertheless, the pace of debt restructuring and subsequent recovery level of bad debt will largely determine the eventual capital needs of Thai banks. Banks that have already undergone a full-scale recapitalisation, such as Bangkok Bank, Thai Farmers and Krung Thai, may not need more capital if debt restructuring works out.

"Only if our recovery rate starts going below 50 per cent will pressure build on our capital," says Mr Banthoon, who notes that if his bank were to need more capital he would probably raise it in a way that did not dilute the stakes of current shareholders.

For those large banks still looking to the market for new funds, such as Siam Commercial Bank, Bank of Ayudhya and Thai Military Bank, debt restructuring could lower the amount of new capital needed and therefore keep the banks under control of the current shareholders. This is crucial, as foreign banks have so far been unwilling to take over a Thai bank of this size.

Ms Tarisa says that at the moment these three banks still meet acceptable capital ratios, so they have some time to work out their debt problems simultaneously with their capital raising.

Even more important for the overall economy, debt restructuring will allow those banks which have recapitalised to begin lending again.

"We have liquidity to lend... but we are very careful right now," says Mr Banthoon. Assets are still productive, he says, once balance sheets and management are cleaned up.

Thai banks' capital increases since devaluation in July '97

Bank	Capital raising	Timing
Bangkok Bank	$1.025bn from foreign investors	May 1998
Krung Thai	Bt20bn from Thai government	Feb 1998
Thai Farmers	$825m from foreign investors	Mar 1998
Siam Commercial	Bt5.97bn rights issue	Dec 1997
	$100m from Sanwa bank	Dec 1997-May 98
	Seeking minimum Bt34bn in share offering	
Bank of Ayudhya	Bt5bn rights issue	Jan 1998
	Seeking up to Bt10bn in share offering	
Thai Military	Bt2bn rights issue	Jan 1998
	Bt3.02bn from Thai investors	Jan 1998
	Seeking up to Bt12bn in share offering	
Union Bank	Bt808m rights issue	Aug 1997
	Bt191m from some existing shareholders	Oct 1997
Nakornthon	Bt672m rights issue	Nov 1997
	Seeking up to Bt3bn from foreign bank	
Laem Thong	Bt66m rights issue	Oct 1997
	Bt4bn from strategic partners	Mar 1998

- First Bangkok taken over by Thai government/to be privatised or closed
- Siam City taken over by Thai government/to be privatised or closed
- Bangkok Metro taken over by Thai government/to be privatised or closed
- Bangkok Commerce taken over by Thai government/to be privatised or closed
- Bank of Asia 75% purchased by ABN Amro for minimum of Bt7.5bn
- Thai Danu 51% purchased by Development Bank of Singapore for Bt6bn

Source: Dresdner Kleinwort Benson, Moody's Investors Service

ELECTRICITY HK GROUP BUYS 14.9% STAKE

CLP invests in Thailand power group

By Louise Lucas in Hong Kong

CLP Holdings, the largest of Hong Kong's two electricity suppliers, is investing HK$1.87bn (US$241m) to become the second biggest shareholder in Thailand's sole operating independent power producer.

CLP's move is the second investment by a Hong Kong electricity supplier in the Thai power market. Last year Hongkong Electric bought into a power plant project run by Siam Steel Pipe Group.

CLP said its 14.9 per cent stake in Electricity Generating Public Company (EGCO), which is listed on the Thai stock exchange, would pave the way for expansion into Thailand and neighbouring countries.

"This investment will contribute meaningfully to CLP. It enables us to gain an immediate strategic foothold to grow into Thailand's power sector. EGCO is also an excellent partner for CLP to grow into neighbouring power markets," said Ross Sayers, managing director of CLP.

Hong Kong's two electricity suppliers began to look further afield several years ago, as it became clear that returns in the domestic market were limited.

In particular, CLP suffered from the migration of manufacturing plants to China after it had geared up capacity to meet expected demand.

Hongkong Electric came under a broad restructuring carried out across the corporate empire of Li Ka-shing, the Hong Kong-based tycoon, in January 1997. As part of the shake-up, Hongkong Electric came under Cheung Kong Infrastructure, a move Mr Li forecast would create a powerful regional group.

Less than six months later, he began to demonstrate the new pan-Asian reach, through Hongkong Electric's acquisition of a 25 per cent stake in SSP's Rayong Power Plant Project.

CLP began its bid for a regional role earlier, taking stakes in China projects – including Daya Bay, the nuclear plant across the border from Hong Kong.

The group sought to cement its position in the mainland just weeks after the Hongkong Electric restructuring, by selling a 20 per cent stake to Citic Pacific, the Hong Kong-listed division of Beijing's main investment vehicle.

The company's foray into Thailand addresses one of the criticisms levelled after that sale, which gave CLP a cash windfall of HK$16.25bn but few immediate opportunities of spending it. However, the high interest rates available in Hong Kong since the middle of last year meant CLP was able to turn the cash to its advantage.

Analysts do not expect CLP to see short-term profits, and Hongkong Electric sees no return on its investment – which was made before the Asian financial crisis – until 2000.

But CLP noted that electricity consumption in Thailand is projected to grow to 113.7bn kwh in 2000, and will grow steadily by 8.3 per cent a year.

The country has a population of 61m, almost 10 times that of Hong Kong.

NEWS DIGEST

PROPERTY

Wheelock hit by absence of exceptional gains

Wheelock, the Hong Kong property conglomerate, yesterday reported a 42.9 per cent slump in net profits for the year ended March 31, from HK$2.53bn to HK$1.45bn (US$187m). The company attributed the decline partly to the absence of exceptional items, which lifted the previous year's figures by HK$915.5m. Profit from ordinary activities contracted by 31 per cent, from HK$2.28bn to HK$1.57bn.

Gonzaga Li, chairman, said the recently announced measures by the government – including a freeze on all land sales until March – were expected to improve market sentiment, although the short-term economic outlook remained uncertain.

The group is currently negotiating a number of land premiums, and expects to receive more favourable terms following the market downturn. However, analysts say the group may struggle to raise the necessary cash, given the liquidity squeeze in the Hong Kong market.

Wheelock's debt-to-asset ratio was maintained at 25.5 per cent, it said. Revaluing the property portfolio resulted in a 6.7 per cent contraction in consolidated net asset value, from HK$22.63 per share last year to HK$21.11 at March 31 this year. Earnings per share over the period fell 43 per cent, from 125.5 cents to 71.5 cents.

The proposed final dividend is 16.5 cents, compared with 32 cents the previous year. **Louise Lucas, Hong Kong**

PHARMACEUTICALS

Bayer in Indian joint venture

Bayer AG, the German pharmaceuticals group, and India's Zydus Group said yesterday they had signed an agreement to set up a joint venture to market the existing brands of Bayer in India and select brands of Zydus.

The companies said Zydus would contribute brands of equal value to Bayer brands in the new venture. Bayer Industries, a wholly owned subsidiary of Bayer AG, would hold 51 per cent and the Zydus group 49 per cent in the new company, and Bayer and Zydus would together invest Rs200m ($4.7m) to set up the venture.

The new company will focus on antibiotic, cardiovascular, anti-diabetic, anti-histaminic and dermatological drugs.
Reuters, New Delhi

SINGAPORE

OUBAM issues US$241m bond

Singapore's Overseas Union Bank Asset Management said yesterday it had launched a US$241.38m collateralised bond. The issue, for the purchase of US dollar-denominated sovereign bonds in emerging markets, will see funds managed by OUBAM rise to just over S$3bn (US$1.8bn), the bank said. The bond is the largest to be launched in Singapore and managed by a Singapore group. It propels OUBAM into the ranks of the top 11 biggest fund managers in Singapore, Peter Seah, chairman, said.

The OUBAM issue is divided into three tranches: US$199.5m for a "senior" tranche with a projected yield of LIBOR plus 34 basis points per annum; US$28.8m for a "subordinated tranche" projected to yield 16.5 per cent per annum; and a third tranche of "protected" notes of US$13m with a projected return of 12.6 per cent. The "senior" tranche notes have been rated triple-A by Standard and Poor's, and Aaa by Moody's.
Reuters, Singapore

SRI LANKA

Brewers fear alcohol curb plan

Sri Lanka's two biggest beer companies said yesterday their profitability and operations would be hurt if the government formalised legislation aimed at reducing alcohol consumption in the country.

Ceylon Brewery and its sister firm, The Lion Brewery Ceylon, said in a letter to the Colombo Stock Exchange that proposed government legislation to reduce alcohol consumption would have a detrimental effect on their bottom line. The government is planning to ban alcohol advertising and introduce a policy designed to increase liquor and beer prices.

The company has built a new plant through Lion Brewery at a cost of SLRs1.5bn ($23m) to meet an anticipated rise in demand. **Reuters, Colombo**

James Hardie to float on NYSE

By Russell Baker in Sydney

James Hardie Industries, the Australian building products group, is shifting all its operating businesses to an offshore company which will be floated on the New York Stock Exchange.

In a far reaching reorganisation James Hardie intends to initially sell about 15 per cent of the new company, James Hardie NV, which will be registered in the Netherlands, to US investors through an initial public offering.

The new company also intends to undertake a US$330m debt raising.

The restructuring is prompted by the fact that about 70 per cent of James Hardie's earnings this year will be from the US, where it is a technical leader in the fibre cement and gypsum wallboard markets.

The move is also partly a response to the multiple layers of taxation which the Australian company says have to be paid on the group's US earnings before they are distributed to its shareholders as dividends.

James Hardie NV's operational headquarters will be in Mission Viejo, California, where several key executives of James Hardie, which is currently based in Sydney, will be relocating.

James Hardie, which will remain listed on the Australian Stock Exchange, says it will extinguish its own loan obligations and make a capital return of about A$200m-A$300m ($123m-$185m) – or 50-75 cents a share – to shareholders.

James Hardie said the proposed reorganisation had the support of Brierley Investments, the New Zealand-based group which is the company's largest shareholder with a 28 per cent stake.

James Hardie shares rose 2 per cent to A$4.90 giving the company a market capitalisation of about A$2bn.

James Hardie has yet to make any decisions regarding a further sell down or distribution of its interest in the proposed NYSE-listed company. However it seems likely such a move will be considered within the next year or two.

At that time James Hardie shareholders may be given an opportunity to exchange their current holdings for shares in James Hardie NV.

Explaining the rationale for the reorganisation, directors said the group's current structure inhibited its "ability to provide shareholders with optimal returns on their investment".

They noted "financial inefficiencies" which included "the potential for US earnings to be taxed at three different levels before being distributed to shareholders as cash dividends".

In the year to March 1998 the US operations accounted for 45 per cent of James Hardie's total sales, 61 per cent of operating earnings and 55 per cent of assets.

Earnings from these business have increased by more than 200 per cent over the past three financial years and the company believes the US is the most prospective market for its fibre cement business.

Shareholders will vote on the proposed reconstruction an extraordinary general meeting on September 25.

Private equity fund targets Asia

By Peter Montagnon, Asia Editor, in London

Simon Murray, the former Asia-Pacific head of Deutsche Bank, is launching a private equity fund of up to $500m to take advantage of opportunities created by the Asian economic crisis.

The fund is the latest in a series of ventures aimed at capitalising on the financial squeeze facing companies in the region and the fall in the value of commercial assets.

Mr Murray, whose investment management company is co-owned with companies such as GE Capital, Hutchison, the Japanese trading company Mitsui, and Deutsche Bank, aims to make use of a long list of connections built up during 30 years of experience in Asia – with Jardine Matheson and the Hutchison group as well as with Deutsche Bank.

Family-owned companies in the region are looking for new capital to replace bank lines that are being withdrawn, he says, while privatisation creates other opportunities.

As the economic situation deteriorates, the quality of the deals on offer is improving as companies which would not have sought outside capital are seeking finance.

Mr Murray acknowledges that many funds in this business have got off to a slow start because the target companies are not willing to sell assets at realistic prices, while institutional investors remain wary because of the historically poor returns on private equity ventures in Asia.

One art is not to raise too much money – it is difficult to invest, he says.

But he feels the time is now right to move, given the period of 18 months to two years needed to invest the proceeds.

"We must be close to the bottom [of the economic cycle], even if we're not quite there yet," Mr Murray said.

Particular opportunities exist in Japan, he added.

The fund, called GEMS Oriental and General, will invest mostly in unquoted companies seeking capital for strategic growth in sectors, such as telecommunications, with which its personnel are familiar.

Its executives will not seek management control, but will expect high standards of transparency and corporate governance.

Another important factor will be a clear exit route for the fund, enabling it to realise its profits, Mr Murray adds.

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BANK SELL-OFF ITALIAN INSURER SAYS SECOND OFFER STILL POSSIBLE AFTER REJECTION OF JOINT BID WITH CREDIT SUISSE

Ina may bid again for stake in BNL

By James Blitz in Rome

Ina, the Italian insurance group, yesterday indicated it that was still prepared to consider bidding to be a strategic shareholder in state-controlled *Banca Nazionale di Lavoro*, ahead of its expected privatisation later this year.

Just 10 days after the Italian Treasury rejected a joint bid by Ina and Credit Suisse for a combined 35 per cent stake in BNL, senior figures at Ina made clear that a second bid was still possible.

Lino Benassi, Ina's managing director, said yesterday: "*If there is goodwill and a* common interest, I don't see *insurmountable* obstacles."

Another senior figure at Ina said the company could consider becoming a strategic shareholder shortly before the Treasury draws up plans for a public share offer *later this year*. However, he warned that much would depend on the size of stake that the Treasury was prepared to offer the insurance company.

The Treasury said last *night it was waiting to hear* from Ina on what terms the company might make a new bid to become a strategic shareholder in BNL. However, it made clear that any move would have to be acceptable to Banco Bilbao Vizcaya, the Spanish bank, *which was given an early* go-ahead last month to be a strategic investor in the company, with a 10 per cent stake.

The Treasury *also* said it was by no means certain *that an Ina bid would be* accepted. "Things could go either way," said a senior official.

Speculation about a possible Ina bid came as Mario Sarcinelli, the chairman of BNL, renounced his executive powers, accusing the Treasury of keeping him out of plans for the bank's privatisation.

Mr Sarcinelli said in a speech to board members that *he had offered* his resignation to Carlo Azeglio Ciampi, the Treasury Minister, but the minister had preferred to see Mr Sarcinelli relinquish his executive role.

Mr Sarcinelli said the Treasury had sought his co-operation *in the privatisation* only after the rejection of the Ina bid.

"I have notified my refusal to lend my name and my reputation to an *operation* which has been launched without any co-operation on my part, and which I have been repeatedly told not to deal with," he said.

Senior Treasury officials said last night they did not see Mr Sarcinelli's move as a *threat to the privatisation*, arguing that he had been at the centre of a series of conflicts in the company over strategy and personnel.

PolyGram film arm bidders line up

By Alice Rawsthorn

More than a dozen prospective bidders – including Canal Plus, the French media company, and several financial groups – are to be invited to start negotiations to acquire PolyGram Filmed Entertainment, Europe's largest film group.

PFE, which has yet to break even but has produced a string of box office hits including *Trainspotting*, *Bean*, *Fargo* and *Four Weddings And A Funeral*, was put up for sale last month when Seagram, the Canadian drinks and entertainment group, agreed to buy PolyGram, its parent company, for $10.4bn.

Seagram's objective *is* to acquire control of PolyGram's music interests and it agreed to sell the film division. Goldman Sachs was appointed to handle the deal for Seagram and Philips, the *Dutch electronics group* from which Seagram is buying a 75 per cent stake in PolyGram.

The bank completed its valuation of PFE yesterday and is now inviting serious *prospective bidders to sign* confidentiality agreements and start negotiations.

Several dozen would-be investors are believed to have indicated initial interest in PFE, which is advised *by Société Générale* Bannon.

Goldman Sachs is understood to have preliminary shortlist of 15 companies or consortia, all of which have demonstrated that they could afford to buy PFE.

Canal Plus, *seen as the* front-runner to buy PFE, possibly as part of a consortium of European media groups, yesterday confirmed it was still keen to bid. It is believed to be on the shortlist.

However, Lakeshore Entertainment, a US production company which has been mooted as a potential purchaser, is not *shortlisted*.

A number of financial groups are shortlisted. PFE is unlikely to appeal to a leveraged bidder, as there is little scope for disposals. However, strong cash flow makes it attractive to other financial investors.

Michael Kuhn, PFE's president, and his management team might also be keen to participate financially in a bid.

Producers, directors and scriptwriters with links to PFE might be involved.

PFE's internal estimates value its hard assets, including a 1,500-strong film library and forthcoming *releases such as the Four Weddings* follow-up, at about $900m. The company also has about $200m of debt.

Edgar Bronfman Jr., Seagram's chief executive, reportedly hopes to raise $750m from the PFE sale, although it is not clear whether that includes the debt.

PolyGram has invested *$1.2bn in PFE over seven* years. PFE is not expected to break even until 1999, but has agreed terms for a securitised deal to finance productions for the next three years.

Volvo just wants to be alone, whatever VW says

A merger might well make sense to the German group but not to the Swedes, write **Tim Burt and Greg McIvor**

Lots to talk about: but it might be difficult for Leif Johansson of Volvo (left) and VW chairman Ferdinand Piëch to find common ground

When Leif Johansson learnt that Daimler-*Benz and Chrysler* were merging earlier this year, the Volvo chief executive told colleagues at the Swedish vehicles group to prepare for a further shake-out in the industry.

In briefings with senior managers, he made clear further structural deals in the sector were inevitable – but that Volvo intended to steer *an independent path*.

Mr Johansson is understood to have reaffirmed that strategy in a meeting last week with Ferdinand Piëch, the combative chairman of Volkswagen, at Volvo's *headquarters in Gothenburg*.

The preliminary discussions – covering possible business collaboration in areas ranging from cars and trucks, to construction equipment and industrial *engines – are thought to* have concluded amicably, but inconclusively.

News of the dialogue, however, has fuelled speculation that the two companies were pondering a future merger in *which Volvo would be swallowed* by its German suitor. The Swedish group's most commonly traded B shares have climbed about 10 per cent in Stockholm this week, closing yesterday up SKr3 at *SKr260*.

There is certainly compelling industrial logic for VW in courting Volvo. It would give the German group the presence in medium and heavy trucks it has long *desired*. Perhaps more important, the Volvo car brand would help VW to mount a more effective challenge to Daimler-Benz in the executive vehicles sector.

"VW would also love to get its hands on Volvo's well-*established dealer network* in the US, where it is still relatively weak," says Lothar Lubinetzki, automotive analyst at Enskilda Securities in London. But expressing desire for a relationship *is one thing*; achieving marriage is quite another.

Mr Johansson has made clear since his arrival last year from *Electrolux*, the Swedish household appliances maker, *that* an "ultimate alliance" on the lines of the failed merger with Renault in 1993 is out of the question.

"Our *strategy* of independence has not changed," said one *executive* yesterday, adding that VW would need to launch a hostile takeover if it wanted to acquire control. Nor do officials envisage any sale to VW of Volvo's flagship car and truck divisions, even if VW undertook *to preserve the Volvo* name and grant autonomy to the acquired units.

By selling one of those divisions, Volvo would lose the counter-cyclical benefit of a presence in both commercial vehicles and passenger cars. Rising demand for Volvo cars has offset mixed sales of trucks in recent years and helped generate cash to develop new models in both areas.

The *prospect of* joint ventures in medium-size trucks – where Volvo does not need VW's help – or an alliance in small cars, where the Swedes have nothing to offer the Germans, would probably not satisfy Mr Piëch.

Volvo could invite VW to extend its supply agreement for diesel engines, which at present covers only 20,000 units a year for the Swedish group's C70 range of cars. But that would hardly establish grounds for a merger.

"There is not really a good half-way house to these talks," said John Lawson, automotive analyst at Salomon Smith Barney in London. "VW knows that to be truly global in this industry, it has to do something sooner rather than later. If it really wants Volvo, the price for a hostile deal would be very high."

Some managers at the Swedish group also fear Volvo's brand value could be undermined following any change of ownership. "As soon as the image gets blurred, you lose a lot of money," said one executive, who suggested that Daimler-Benz ran the risk of diluting its premium brand by merging with Chrysler.

Such concerns, however, probably reflect nervousness among Volvo managers about the real motive behind VW's overtures. Given Mr Piëch's global ambitions and determination to steal a march on its arch-rivals BMW and Daimler Benz, Volvo remains one of the most attractive targets.

The Daimler-Chrysler deal has certainly exerted pressure on VW to bolster its automotive operations, and cultivating ties with competitors such as Volvo is a natural route to follow.

"What [Piëch] definitely would not want is to see Volvo talking to either *Daimler-Benz or BMW*," said a Volvo official. "That could be a good enough reason for him to go to Gothenburg."

Ruling threatens KBC merger

By Samer Iskandar in Brussels

KBC, the Belgian financial services group created by the merger of *Kredietbank*, co-operative bank Cera, and ABB, an insurance company, yesterday appealed a court ruling that threatens the month-old link-up.

The ruling, which comes *after Kredietbank's shares* were renamed KBC on the Brussels stock exchange, in effect suspends the merger and could lead to its unwinding. If upheld, it would at least require a new general *meeting of Cera shareholders* to vote again on the terms of the deal.

A commercial court in Brussels late on Wednesday suspended the merger by ruling in favour of a small *group of shareholders of the* former Cera Bank, which was folded into KBC when the merger became effective on June 4.

Modrikamen and Associates, a law firm representing *some 60 shareholders*, had challenged the procedure through which shareholder meetings had been convened.

The court accepted Modrikamen's claim that the *extraordinary general* meeting at which Cera shareholders voted for the merger had been convened too hastily, depriving the 500,000 shareholders of their right to voice their opinions on the *deal*.

As a result, the judge annulled the decisions made at the EGM, including the favourable vote.

The ruling states that "the rights of Cera shareholders have been *totally ignored*", giving the court "grave reasons" to question the validity of decisions made during the EGM.

KBC said it was "astonished by this incomprehensible *decision*".

Déminor, an association of minority shareholders which had also criticised the terms of the deal, yesterday deplored the decision. Eric Bomans, of Déminor, said: "*If KBC loses its appeal*, the merger will fall apart and there is a risk it will never happen again."

Both Déminor and Modrikamen have argued that Cera shareholders were dis*criminated against in the* merger process. Because of the bank's co-operative structure, the transaction valued Cera's shares at their nominal price of BFr1,000, while Déminor estimates *them at BFr10,000-BFr12,000* in terms of net assets.

Last week, Déminor negotiated an agreement with KBC, which will increase the nominal value of Cera shares in line with the per*formance of Almanij shares* on the Brussels stock exchange. Almanij is the mother company that holds 68 per cent of KBC. Cera Holding, the holding company for Cera Bank, owns 38 *per cent of Almanij*.

Déminor also obtained for Cera Bank shareholders 50 per cent of Cera Holding's net profits, comprising dividends and capital gains from its stake in Almanij. Mr *Bomans believes the net* present value of the concessions, after discounting the cost of holding the shares in the long term, adds BFr3,300 to each BFr1,000 Cera share.

The appeal will be heard *on Monday*, with a decision expected by the middle of next week.

Italian workers' fund to award contracts

By James Mackintosh

A workers' fund in Italy will next week award contracts worth L210bn ($117m) for a new type of pension scheme to five local insurers and *fund managers*, as well as State Street Global Advisors, the US fund manager linked with Mediolanum, the Italian insurance and mutual fund group.

The contracts mark the *start of competition between* Italian and overseas fund managers for a slice of up to L353,000bn expected to come into new funded pensions *over the next 10 years*. These were made possible by a law introduced this year.

The Italian insurers and fund managers are Generali, RAS, Unipol, CreditRolo and IMI.

The initial scheme, Fonchim, is the fund for workers *in the Italian chemical and* pharmaceutical industries. It already has 70,000 contributing members and expects 200,000 participants by the end of the year.

One of the winning investment managers said: "The absolute size of the funds *involved [in this deal]* is very limited at the moment but it is the first one so it was important to be involved because there are many more to come."

Fonchim, which has members spread across 1,100 companies, has asked the fund managers to run two separate mandates, one in short-*dated* eurobonds and a second with 60 per cent in equities. Of the equity investments, a third will be in Italy, a third in Europe and Japan and the rest in the US.

More schemes are close *to launch*.

Commerzbank eyes Lyonnais units

Commerzbank, of Germany, yesterday confirmed it was in talks with Crédit Lyon*nais about buying the* French bank's subsidiaries *in Stockholm* and Copenhagen, AP-DJ reports from Frankfurt.

The bank said it did not have a presence in Stockholm, although it was represented in Copenhagen. The Crédit Lyonnais operations *are small, each employing* between 20 and 25 people.

Crédit Lyonnais yesterday confirmed it was in talks with several potential buyers. "Talks concerning our subsidiaries in Sweden and Denmark are under way, but no choice has been made. We do not wish to comment *on the identity of the different* potential buyers."

Commerzbank said it believed it had a good chance of a positive outcome of the talks.

It expects a decision before the end of this month.

In May, the European Commission's competition *authorities approved the* French government's final rescue package for the troubled bank in exchange for undertakings on asset sales and its privatisation by October next year.

RWE disappoints with 9% advance

By Ralph Atkins in Bonn

Shares in RWE, the large Essen-based energy and industrial conglomerate, fell more than 5 per cent yesterday after a smaller-than-fore*cast 9 per cent rise* in net profits to DM1.4bn ($770m) in the year to June.

RWE also said start-up losses in telecommunications had risen.

The earnings increase *failed to match expectations* spurred by an upbeat trading statement last month by RWE's energy division.

Overall sales in the year to June edged up from DM72.1bn to DM72.2bn, with the foreign share rising from *19* per cent to 23 per cent. However, after adjusting for consolidation effects, net sales fell 6 per cent.

RWE said the undisclosed start-up losses in telecommunications, which reported sales of DM200m, were in line with plans.

It has teamed up with Veba, another of Germany's large industrial conglomerates, to form the o.tel.o telecoms group.

However, o.tel.o has lost ground in Germany's newly-liberalised telecoms market *to Mannesmann Arcor*, the telecoms operation led by the Düsseldorf-*based Mannesmann* conglomerate, and to smaller rivals which have not invested as heavily in infrastructure.

RWE said investment spending in 1997-98, including acquisitions, fell 28 per cent to DM7.2bn, largely because the *DM3.6bn* committed so far to o.tel.o had inflated the previous year's figure.

Veba and RWE are looking to derive fresh impetus from integrating o.tel.o with E-Plus, its sister mobile tele*phone company. O.tel.o also* changed strategy in May by allowing customers to use its services without pre-registering, under Germany's "call by call" system.

O.tel.o says it is carrying 2.5m minutes of conversation daily from "pre-selection" *customers – those* which have contracted long term to its services.

While RWE's waste management division incurred charges from restructuring, earnings were "significantly" higher in energy, mining, petroleum and chemical activities.

Although no divisional figures were given, the energy business said recently it expected a 20 per cent increase in pre-tax profits, to DM2.4bn.

RWE shares closed down *DM5.90 at DM102.90*.

NEWS DIGEST

PHARMACEUTICALS

Astra, Merck complete venture restructuring

Astra, the Swedish pharmaceuticals group, said yesterday it had completed the proposed restructuring of its North American joint venture with Merck, the US drugs manufacturer.

The Swedish group is to take management control of the joint venture, which will embrace its wholly owned US subsidiary and be renamed Astra Pharmaceuticals. Merck will con*tinue to profit from the new partnership structure for several* years, but its long-term rights over Astra products in North America would be limited. "Under this new structure, Astra's presence in the US, the world's largest pharmaceuticals market, has been substantially enhanced," said Carl-Gustaf Johansson, president of Astra Pharmaceuticals.

When the deal was first announced last month, Astra said it would pay Merck up to $1.5bn in the event of a merger or acquisition with another company. Merck, in turn, would be *able to force Astra to buy out most of its* interest in the partnership for up to $6bn in 2008. **Tim Burt, Stockholm**

FORTIS-GENERALE

Verwilst named chairman

Fortis, the Belgo-Dutch financial services group, and Générale de Banque, its Belgian merger partner, yesterday named Herman Verwilst chairman of the new executive committee as part of a series of appointments following the departure of a number of Générale directors and of the planned operational *reorganisation of Fortis*.

The *members* of the executive committee are: Jean-Jacques Verdickt, Karel de Boeck, Andre Bergen, Erik van de Merwe and Johan Tach, with further members to be elected mid-October. The members of the board of directors representing the shareholders are: Maurice Lippens, Christine Morin-Postel, Hans Bartelds, Philippe Bodson, Alain Chaigneau, *Etienne Davignon, Richard Goblet d'Alviella, Henjo Hielkema*, Daniel Janssun and Klaus Wendel.

The directors responsible for managing banking matters are: Herman Verwilst, Jean-Jacques Verdickt, Karel De Boeck, Andre Bergen, Erik van de Merwe and Johan Tack.

The independent directors are: Oswald Adriaensen, Luc Bertrand, Marc-Yves Blanpain, Paul Buysse, Philippe de Schoutheete de Tervarent, Philippe de Woot deTrixhe, Alain Georges, Dirk Heremans, Georges Jacobs, Roger Langenaken, *Henry* Mestdagh and Eric Swenden. New changes to Générale's board of directors will be announced mid-October, Fortis said. **AFX, Utrecht**

BULGARIAN POWER PLANTS

Two groups express interest

Russia's Lukoil and National Power of the UK have shown interest in the privatisation of Bulgarian power plants, state radio quoted prime minister Ivan Kostov as saying yesterday. "The two companies have stated their interest in participating in *the privatisation of power enterprises* during discussions with the prime minister and were given guarantees of clear and transparent transactions," the report said.

There was no immediate comment from the two companies and it was not clear which plants Kostov referred to. Bulgaria has pledged to gradually privatise it power industry by 2010, starting with the sell-off of 22 small hydro-power plants this year. *The plants are supervised by the National Electricity* Company. The privatisation agency has appointed Credit Suisse First Boston as broker for their sale. **Reuters, Sofia**

GAZPROM

Vyakhirev to give up stake

Rem Vyakhirev, chief executive of Russian gas monopoly Gazprom will voluntarily give up the management of a 35 per cent state-owned stake in the company next Tuesday, he told Russian television from Vienna last night.

Mr Vyakhirev has personal responsibility under a trust agreement for managing the stake, the bulk of the state's holding in the company which stands at just over 40 per cent. Earlier yesterday prime minister Sergei Kiriyenko ordered the agreement to be scrapped, but he later dropped the demand. **Reuters, Moscow**

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Notice of a Change of Agent

To the Holders of

Each Issue of Bonds/Notes Listed Below

NOTICE IS HEREBY GIVEN to the holders of each issue (the Issue) of Bonds/Notes listed below (the Notes) of the relevant issuer listed below (the Issuer) that with effect from 17 August 1998 (the Effective Appointment Date), the relevant offices/affiliates of Morgan Guaranty Trust Company of New York (Morgan Entities) will resign from their respective agency roles in relation to the Issues listed below and that branches/subsidiaries of Citibank, N.A. located in the same cities as the relevant Morgan Entities will be *appointed in their place (Citibank Entities). The Citibank Entities replacing the Morgan Entities in the respective agency roles in relation to the Issues listed below will be Citibank N.A., London office*, Citibank N.A., Paris office, Citibank N.A., Brussels office, Citibank N.A., New York office and Citibank AG, Frankfurt office as the case may be. The addresses of the various Citibank Entities are listed at the end of this notice.

Issuer	Description of Notes
3i Group plc	£100.000.000 10.75 per cent. Guaranteed Bonds 2001
3i Group plc	£500.000.000 Note Issuance Programme
3i International B.V.	£150.000.000 7.75 per cent. Guaranteed Bonds 2003
Abbey National First Capital B.V.	Can$100.000.000 Subordinated Collared Floating Rate Notes Due 2004
Abbey National First Capital B.V.	CHF 130.000.000 Subordinated Guaranteed Floating Rate Step - Up Notes Due 2009
Abbey National Funding PLC	Yen 25.000.000.000 6.1% Dual Currency Notes Due 1999
Abbey National Funding PLC	Yen 20.000.000.000 5.8% Dual Currency Guaranteed Notes Due 2000
Abbey National PLC	£100.000.000 10.75% Subordinated Bonds due 2006/2011 (formerly issued in the name of National & Provincial Building Society)
Abbey National Treasury Services PLC	U.S.$10.000.000.000 Medium Term Note Program
Abbey National Treasury Services PLC	LIT 180.000.000.000 7.81% Guaranteed Bonds Due 2002
Abbey National Treasury Services PLC	Yen 10.000.000.000 Guaranteed Step Down Coupon Notes Due 1999
Abbey National Treasury Services PLC	U.S.$150.000.000 7.82% Guaranteed Dual Currency Bonds Due 2002
Abbey National Treasury Services PLC	£1.000.000.000 8% Guaranteed Bonds 2003
Abbey National Treasury Services PLC	U.S.$1.000.000.000 6.5% Guaranteed Bonds Due 2003
Abbey National Treasury Services PLC	Italian Lire 150.000.000.000 7.70% Guaranteed Notes Due 1999
Abbey National Treasury Services PLC	£1.000.000.000 6% Guaranteed Notes Due 1999
Abbey National Treasury Services PLC	U.S.$1 000.000.000 Guaranteed Floating Rate Notes Due 1999
Abbey National Treasury Services PLC	U.S.$200.000.000 6.50% Guaranteed Notes Due 1998
Abbey National Treasury Services PLC	Italian Lire 300.000.000.000 9.40% Guaranteed Notes Due 2000
Abbey National Treasury Services PLC	£400.000.000 7.125% Guaranteed Notes Due 2001
Abbey National Treasury Services PLC	£200.000.000 7.125% Guaranteed Notes Due 1998
Abbey National Treasury Services PLC	Italian Lire 300.000.000.000 Zero Coupon Notes Due 2001
Abbey National Treasury Services PLC	£400.000.000 7.625% Guaranteed Notes Due 2002
Abbey National Treasury Services PLC	Italian Lire 200.000.000.000 7% Callable Guaranteed Notes Due 2001
Abbey National Treasury Services PLC	Italian Lire 400.000.000.000 8% Guaranteed Callable Reverse Floating Rate Notes Due 2007
Abbey National Treasury Services PLC	U.S.$750.000.000 6.375% Guaranteed Notes Due 2002
Abbey National Treasury Services PLC	ECU 150.000.000 4.125% Guaranteed Notes Due 1998
Abbey National Treasury Services PLC	Euro Medium Term Note Programme (formerly issued in the name of National & Provincial Building Society)
ABN-AMRO	U.S.$1.000.000.000 Global Limited Recourse Debt Issuance Programme
Alcatel Alsthom SA	Euro Medium - Term Note Program
Allied Domecq PLC	£150.000.000 10 5/8 per cent. Bonds due 1999
Asian Development Bank	U.S.$500.000.000 7.5% Bonds due 2002
Asian Development Bank	U.S.$500.000.000 6.375% Bonds due 2003
Banco di Napoli S.p.A (London Branch)	U.S.$100.000.000 Floating Rate Depositary Receipts Due 1999
Banco di Napoli S.p.A (London Branch)	U.S.$150.000.000 Floating Rate Depositary Receipts Due 1998
Banco di Napoli S.p.A (London Branch)	U.S.$250.000.000 Floating Rate Depositary Receipts Due 1999
Bank of Greece	U.S.$300.000.000 Floating Rate Notes Due 2003
Bank of Greece	£100.000.000 9 3/4 per cent. Bonds 2003
Bank of Queensland Limited	U.S.$500.000.000 Euro Medium Term Note Programme
Bankinter International Cayman	U.S.$1.000.000.000 Euro Medium Term Note Programme
Bayerische Landesbank Girozentrale	£300.000.000 8 1/2% Subordinated Bonds Due 2005
BGB Finance (Ireland) Plc	U.S.$10.000.000.000 Euro Medium Term Note Programme
BGB Finance (Ireland) Plc	GBP 150.000.000 8.00 per cent. Guaranteed Subordinated Notes Due 2012
Bikuben Girobank A/S	U.S.$1.000.000.000 Euro Medium Term Note Programme
Birmingham Midshires Building Society	£150.000.000 Floating Rate Notes 1999
Birmingham Midshires Building Society	£750.000.000 Note Programme
Bradford & Bingley Building Society	£150.000.000 Floating Rate Notes Due February 1999
Bradford & Bingley Building Society	Up To £200.000.000 Floating Rate Notes Due 1999
Bradford & Bingley Building Society	U.S.$4.000.000.000 Euro Medium Term Note Programme
Britannia Building Society	U.S.$3.000.000.000 Euro Medium Term Note Programme
Cadbury Schweppes Public Limited Company	£150.000.000 8 per cent. Notes due 2000
Cargill Incorporated	U.S.$1.000.000.000 Euro Medium Term Note Program
Cheltenham and Gloucester plc	Note Programme
Cheltenham and Gloucester plc	£150.000.000 7 7/8% Notes Due 24/6/1998
Commerzbank Overseas Finance N.V.	£150.000.000 6 1/4 per cent. Guaranteed Notes Due 1999
CPC Surrey	£183.000.000 8.19% Guaranteed Bonds due 2003
Credit Foncier De France	U.S.$500.000.000 8 per cent. Bonds due 2002
Credit Local de France	U.S.$20.000.000.000 Euro Medium Term Note Programme
Credit Local de France	FRF 1.000.000.000 9 3/4 per cent. Bonds due 1999
Credit Local de France	Yen 10.000.000.000 7.85 per cent. Yen/Italian Lire Reverse Dual Currency Notes due 1999
Credit Local de France	ITL 300.000.000 7.5% Bonds due 1999
Credit Local de France	£150.000.000 8 3/8 per cent. Bonds due 2004
Creditanstalt-Bankverein	U.S.$200.000.000 Subordinated Collared Floating Rate Notes due 2003
Creditanstalt-Bankverein	U.S.$100.000.000 Subordinated Collared Floating Rate Notes due 2005
De Nationale Investeringsbank N.V.	U.S.$100.000.000 Subordinated Floating Rate Notes due 2002
De Nationale Investeringsbank N.V.	Programme for the Issuance of Debt Instruments
De Nationale Investeringsbank N.V.	£150.000.000 6 1/8 per cent. Bonds 1994 due 22nd December 1999
Eurofima	Programme for the Issuance of Debt Instruments
Eurofima	DM 350.000.000 3% Bonds due 2002
European Bank for Reconstruction and Development	ECU 10.000.000.000 Euro Medium Term Note Programme
European Bank for Reconstruction and Development	U.S.$150.000.000 Floating Rate Notes due 2002
European Bank for Reconstruction and Development	£300.000.000 6.20% Notes due 14th February 2000
European Bank for Reconstruction and Development	£100.000.000 6 per cent. Notes due 25 November 1998
First Security Bank, N.A.	U.S.$1.000.000.000 Euro Medium Term Note Programme
Granada Group Plc	£100.000.000 9 3/8 per cent. Bonds due 2003
Granada Group Plc	£50.000.000 Floating Rate Notes Due 1998
Granada Group Plc	£100.000.000 Floating Rate Notes Due 1999
Granada Group Plc	£75.000.000 11 1/4 per cent. Bonds 2019
Great Belt A/S	U.S.$2.000.000.000 Euro Medium Term Note Programme
H.J. Heinz Company	U.S.$250.000.000 7 1/2% Notes Due 2000
Halifax plc	£300.000.000 7 3/4% Notes due 1998
Halifax plc	£100.000.000 Collared Floating Rate Notes due 2003
Halifax plc	£500.000.000 6 1/2 per cent. Bonds due 2004
Halifax plc	£500.000.000 Floating Rate Notes 1999
Halifax plc	£200.000.000 8 3/8 per cent. Notes 1999
Halifax plc	U.S.$500.000.000 Floating Rate Notes 1999
Halifax plc	FRF 3.000.000.000 8 per cent. Notes 2001
Halifax plc	£200.000.000 9 3/8 per cent. Subordinated Bonds 2021
Halifax plc	£400.000.000 8 3/4 per cent. Subordinated Bonds 2006
Halifax plc	£250.000.000 11 per cent. Subordinated Bonds 2014
Halifax plc	U.S.$500.000.000 6 1/2 per cent. Notes 2002
Halifax plc	£200.000.000 Step Up Callable Floating Rate Subordinated Notes 2012
Halifax plc	£300.000.000 9 3/8 per cent. Subordinated Bonds 2021
Halifax plc	ECU 2.000.000.000 Note Programme
Halifax plc	U.S.$6.000.000.000 Euro Note Programme
Halifax plc	£150.000.000 10 1/2 per cent. Subordinated Notes due 2018
Halifax plc	£100.000.000 Collared Floating Rate Notes Due 2003
Halifax plc	FRF2.000.000.000 5.75 per cent. Notes 2009
Halifax plc	FRF500.000.000 Step-up Callable Fixed Rate Notes 2007
Halifax plc	NLG1.000.000.000 5.375 per cent. Notes due 2008
Halifax plc	FRF1.000.000.000 CNO-TEC 10 Indexed Interest Rate Notes 2009
Halifax plc	FRF300.000.000 Step-up Callable Notes 2007
Halifax plc	FRF2.000.000.000 6.75 per cent. Notes 2008
Halifax plc	CHF200.000.000 2.25 per cent. Bonds 1998-2003
Halifax plc	CHF100.000.000 2.25 per cent. Bonds 1998-2003
Inter American Development Bank	Yen 30.000.000.000 6 3/4 per cent. Notes Due 2001
Inter American Development Bank	U.S.$300.000.000 8 7/8 per cent. Bonds Due 2001
Inter American Development Bank	Yen 35.000.000.000 6 per cent. Bonds Due 2001
Inter American Development Bank	U.S.$500.000.000 6 5/8 per cent. Bonds Due 2003
Inter American Development Bank	Yen 40.000.000.000 4 3/8 per cent. Notes Due 1998
Inter American Development Bank	U.S.$500.000.000 6 per cent. Bonds Due 2003
Inter American Development Bank	ITL 250.000.000.000 7.70 per cent. Bonds due 2004
Inter American Development Bank	£150.000.000 7 1/8 per cent. Notes Due 2004
Inter American Development Bank	U.S.$300.000.000 9 1/2 per cent. Bonds Due 2000
Inter American Development Bank	U.S.$500.000.000 7.5 per cent. Bonds Due 2005
Inter American Development Bank	U.S.$500.000.000 6.375 per cent. Bonds Due 2000
Inter American Development Bank	U.S.$500.000.000 6.875 per cent. Bonds Due 2001
Inter American Development Bank	U.S.$500.000.000 6.375% Notes Due 2002
KfW International Finance Inc	£200.000.000 6.625% Bonds Due 2004
KfW International Finance Inc	YEN10.000.000.000 3.65 per cent. Guaranteed Notes Due 1999
KfW International Finance Inc	Y30.000.000.000 Fixed/Floating Rate Guaranteed Notes Due 1998
KfW International Finance Inc	U.S.$500.000.000 8.25% Bonds Due 2004
KfW International Finance Inc	Y30.000.000.000 2.5 per cent. Guaranteed Notes Due 2001
KfW International Finance Inc	Y5,000,000,000 7.35 per cent. Notes Due 2007 (The Tranche A Notes)
KfW International Finance Inc	Y5,000,000,000 Floating Rate Notes Due 2000 (The Tranche B Notes)
KfW International Finance Inc	£200,000,000 7.625% Notes Due 2000
Kingdom of Sweden	Programme for the Issuance of Debt Instruments
Mitsubishi Chemical Corporation	Programme for the Issuance of Debt Instruments
Natwest Financial Products Plc	£50,000,000 FT-SE Index-Linked Notes Due 2004
Nikko Bank (U.K.) Plc	U.S.$1,000,000,000 Euro Medium Term Note Programme
Nissho Iwai International Finance (Cayman) Limited	U.S.$1,000,000,000 Euro Medium Term Note Programme
Nomura International plc	U.S.$100,000,000 Subordinated Floating Rate Notes Due 2004
Northern Rock plc	U.S.$5,000,000,000 Euro Medium Term Note Programme
Northern Rock plc	£150,000,000 9 3/8 per cent. Subordinated Bonds due 2021
Province of Alberta	U.S.$1,000,000,000 7.625% Bonds Due November 5 1998
Province of Alberta	U.S.$500,000,000 7% Bonds Due 2003
Province of Alberta	Can$500,000,000 7 1/4% Notes due 2005
Prudential Corporation plc	U.S.$250,000,000 7.125 per cent. Bonds Due 2005
Prudential Finance B.V.	£150,000,000 9.375% Guaranteed Bonds 2007
Prudential Finance B.V.	U.S.$300,000,000 8.25% Guaranteed Bonds 2001
Redland PLC	£500,000,000 Euro Medium Term Note Programme
Republic of Austria	Y50,000,000,000 6 1/4 per cent. Notes Due 2003
Republic of Austria	U.S.$400,000,000 7 7/8 per cent. Notes Due 2002
Republic of Austria	U.S.$400,000,000 7 1/4 per cent. Notes Due 2004
Republic of Austria	Y75,000,000,000 5 per cent. Bonds Due 2001
Republic of Austria	Can$300,000,000 7 3/8% Notes Due 2003
Republic of Austria	Y60,000,000,000 4 1/2 per cent. Bonds Due 2005
Republic of Austria	£200,000,000 9 per cent. Notes Due 2004
Republic of Austria	U.S.$175,000,000 8 5/8 per cent. Bonds Due 2000
Republic of Austria	U.S.$400,000,000 8 1/2 per cent. Notes Due 2000
Republic of Austria	U.S.$400,000,000 8 1/4 per cent. Notes Due 2005
Republic of Austria	U.S.$200,000,000 6 5/8% Notes Due 1999
Republic of Austria	FF 5,000,000,000 5.5% Bonds Due 2004
Republic of Finland	£350,000,000 10 3/8 per cent. Bonds 1998
Republic of Finland	ECU 500,000,000 8 3/4 per cent. Bonds due 2001
Republic of Finland	YEN 50,000,000,000 6 per cent. Notes Due 2002
Republic of Finland	ECU 500,000,000 8 3/8 per cent. Bonds due 1999
Republic of Finland	Euroshelf
Rheinhyp Rheinische Hypothekenbank Aktiengesellschaft	DM2,000,000,000 5.625% Global Public Sector Pfandbriefe due 2001
Rheinhyp Rheinische Hypothekenbank Aktiengesellschaft	FF750,000,000 6 per cent. Subordinated Notes due 2009
Sara Lee Corporation	U.S.$1,000,000,000 Euro Medium Term Instrument Programme
Scottish Power plc	£200,000,000 8 3/8 per cent. Bonds Due 2017
Scottish Power plc	U.S.$2,000,000,000 Debt Issuance Programme
Slough Estates plc	£100,000,000 11 5/8 per cent. Bonds Due 2012
Slough Estates plc	£100,000,000 10 per cent. Bonds 2017
Slough Estates plc	£50,000,000 10 per cent. Bonds 2007
Statkraft SF	U.S.$1,000,000,000 Euro Medium Term Note Programme
Statkraft SF	Skr 500,000,000 6.125 Per Cent. Notes Due 2001
The Council of Europe Resettlement Fund For National Refugees And Overpopulation in Europe	YEN 35,000,000,000 6 7/8 per cent. Bonds Due 2001
The Government of Israel (on behalf of the State of Israel)	U.S.$750,000,000 Euro Medium Term Note Programme
The Kingdom of Belgium	ECU 1,250,000,000 9 1/8% Notes due 1996
The Kingdom of Belgium	Y50,000,000,000 6 7/8 per cent. Notes due 2001
The Kingdom of Belgium	U.S.$600,000,000 8.125 per cent. Notes Due 2001
The Kingdom of Belgium	Yen 50,000,000,000 6 per cent. Notes Due 1998
The Kingdom of Belgium	Y75,000,000,000 5 per cent. Notes Due 1999
The Kingdom of Belgium	U.S.$500,000,000 5.375% Notes Due 1998
The Kingdom of Belgium	U.S.$500,000,000 7 per cent. Notes Due 1999
The Kingdom of Belgium	Y75,000,000,000 4 7/8 per cent. Notes Due 2004
The Kingdom of Belgium	U.S.$400,000,000 Floating Rate Notes Due 1999
The Kingdom of Belgium	U.S.$500,000,000 9.20 per cent. Bonds due 2010, Puttable 2000
The Kingdom of Belgium	U.S.$500,000,000 8 1/4% Notes Due 2000
The Kingdom of Belgium	U.S.$500,000,000 6 5/8% Notes Due 2005
The Kingdom of Belgium	U.S.$500,000,000 6.5% Notes Due 2002
The Kingdom of Belgium	U.S.$400,000,000 6% Notes Due 1999
The Kingdom of Belgium	Programme for the Issuance of Debt Instruments
The National Grid Company plc	£240,000,000 8 per cent. Bonds due 2006
The National Grid Company plc	U.S.$400,000,000 5.5 per cent. Bonds due 2004
The National Grid Company plc	£150,000,000 7.375 per cent. Bonds Due 1999
Yorkshire Building Society	£1,000,000,000 Note Programme

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U.S.A.

Morgan Guaranty Trust Company of New York

3 July 1998

CANADA TRANSPORT GROUP ORDERED TO PAY US$141m ON LOSING CASE OVER 'DUTCH SANDWICH' FINANCE DEAL

Laidlaw shares slide after US tax ruling

By Scott Morrison in Toronto

Shares in Laidlaw, the Canadian transport and medical services group, were down about 12 per cent yesterday after a US court ruled the company owed US$141m in back taxes and interest.

The company said the Internal Revenue Service had asserted additional claims that could require the company to pay a further US$290m.

The court ruling relates to finance that Laidlaw's Dutch subsidiary provided for its US entity from 1986-88.

Through a financing arrangement known as a "Dutch sandwich", Laidlaw recorded the advances as debt and tax-deductible interest contributions, which enabled the company to reduce its tax obligations.

The court, however, ruled that Laidlaw should have booked the advances as equity and ordered the company to pay almost US$50m in back taxes and US$91m in interest.

Laidlaw said the IRS had made similar claims against the company for the three years ending in 1991 and could proceed with further claims for the years to 1994.

After 1994, Laidlaw set up a similar financing entity in Ireland but it was not immediately clear whether the IRS would pursue similar claims against that. Laidlaw said it was surprised and disappointed by the ruling, as its returns properly reflected operating results for the three years in question. It would review the court ruling and was likely to appeal.

"We're not planning to send [the IRS] a cheque next week," said James Bullock, Laidlaw chief executive.

Laidlaw was one of several multinational groups that used the "Dutch sandwich", but congressional leaders have recently taken a harder line against foreign-based corporations using variations in international tax laws to minimise US obligations.

Ron Maiorano, an international tax expert at KPMG consultancy, said: "The US, more than most jurisdictions, argues substance over form. They look at the financing instrument to determine what it looks like and what it smells like, rather than what it claims to be."

Laidlaw said it had tax reserves of US$200m, accrued as the case proceeded. Mr Bullock said the initial ruling would not affect earnings, but if the courts found back taxes were owed for 1989-94, the company would take a charge of some US$300m.

Laidlaw shares were down C$2.05 to C$15.75 in midday trading.

GM strike hits parts suppliers

By Richard Waters in New York

The impact of the General Motors strike spread to other companies in the US automotive industry yesterday as two more parts suppliers reported lost sales and profits as a result of the 26-day stoppage.

ITT Industries, one of the largest US parts makers, said the strike, which began at a GM parts plant in Flint, Michigan, had caused it $40m in lost sales in its second quarter to June. That would reduce operating profits by $16m and earnings per share by 8 cents, the company added.

Simpson Industries, which sells powertrain – engine, gearbox and chassis parts – to GM, said the strike would shave 3-5 cents a share from its earnings for the quarter.

GM itself said earlier this week that the strike had cost it $1.18bn in lost profits in the second quarter, and analysts estimate that the stoppage, which has brought most of its North American operations to a halt, is costing it about $80m a day.

Despite the losses, most observers believe that GM and its suppliers can make up a large part of their lost sales if the strike ends soon.

The company's July sales were expected to fall anyway, following a strong June, said David Healey, analyst at Burnham Securities. The 24 per cent jump in June, to nearly 500,000 cars and light trucks, reflected the fact that "loyalty coupons" sent to customers – offering them a discount on new vehicles – expired at the end of the month, he said. That prompted a rush of sales that was likely to be followed by a lull in July.

GM's plants were due to be closed for two weeks for the company's regular summer shut-down, regardless of the strike. With the factories scheduled to resume operations next weekend, many observers expect a return to serious negotiations between the company and the United Auto Workers union next week.

Back to basics in Venezuelan banking

Arrival of overseas banks has yet to put an end to inefficiencies, writes **Raymond Colitt**

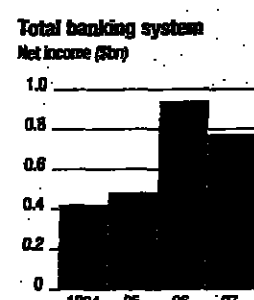
Following Venezuela's 1994 financial meltdown, during which nearly half of the banking system fell into state hands, the arrival of well-capitalised overseas banks was welcome. They now account for half of the country's banking assets, and have introduced international standards and a new array of products.

Yet, contrary to widespread expectations, the foreign banks have not been able to improve customer service considerably. Clients continue to complain about long queues and even the superintendent of banks, Francisco Debera, has said foreign banks have brought little evident improvements.

One of the banks caught up in the controversy is Spain's Banco Bilbao Vizcaya, which in March 1997 acquired a 40 per cent controlling share of Banco Provincial for $350m. With assets of Bs2,520bn ($4.57bn), Provincial has a share of 23.7 per cent, making it the country's largest bank by far.

"We are the first to admit that our service is not what we would like it to be," says Juan Carlos Zorrilla, executive president of Provincial, echoing BBV chairman, Pedro Luis Uriarte, who said he was "unhappy" with the service provided by Provincial on a visit earlier this year to Caracas.

Service and product quality in Venezuelan banking were far below international standards to begin with. In particular, Provincial's operations, administration and technology base were so poor that BBV has been struggling to turn the bank around, let alone improve service.



Source: Softline Consultants

"It's like redoing the foundation of a building without tearing it down. At first there's no visible improvement, but in the end, you have a better, more solid building," he says. When BBV took over the management, Provincial was bursting at its seams. While nearly doubling its customer base after the 1994 banking crisis, it increased its staff but did not modernise its technology, operations or management structure.

The result was an overstaffed, inefficient bank with an inflexible, hierarchical management. Instead of one centralised computer system, Provincial had five incompatible platforms.

"The decision was taken to start from scratch with an entirely new system. That means that service temporarily gets worse before it gets better," says Andrés Germán Otero, general manager of corporate finance. The new $100m technology platform is to be fully operative by March 1999.

By rationalising operations and implementing new technology, Mr Zorrilla expects that a staff of 5,000 could operate the bank in a couple of years, even with the estimated 200 additional branches by 1999. That compares with 11,600 employees Provincial had last year.

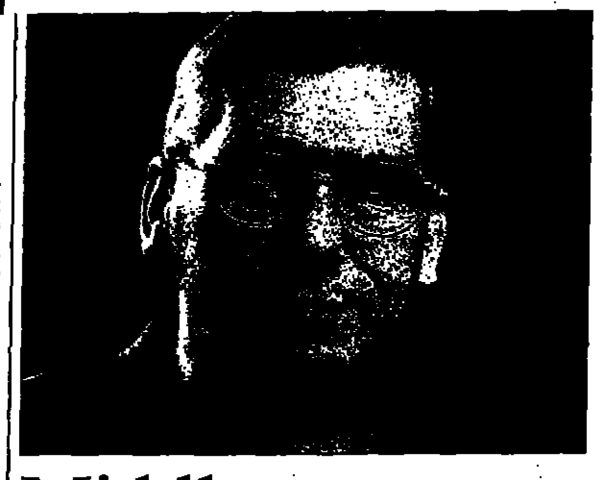
Changing the work attitude of employees has been perhaps the biggest challenge. Staff are bombarded with seminars and training courses, while market research is complemented by a new quality control division that uses undercover "spies" acting as customers to check on branches. "Employee of the month" awards aim to combat apathy and increase productivity.

As part of its efforts to forge a new corporate culture with wider employee participation, BBV has also changed the bank's management structure, creating a total of eight vice-presidencies. "It was very authoritarian, now there's more team work," says Mr Zorrilla. However, as José Grasso, who heads the financial consultancy Softline, notes: Creating a new corporate culture does not happen overnight. It'll take one to two years, at least."

Other overseas banks, such as BBV's principal rival, Spain's Banco Santander, also find they are putting more time and money into their Venezuelan acquisitions than anticipated. "We underestimated the work required to overhaul the bank across the board – from systems, operations and administration to marketing and products," says Michel Goguikian, chief executive officer of Santander-owned Banco de Venezuela.

According to Softline, Provincial has seen a 19 per cent increase in net income for the first quarter of 1998, the strongest of the top seven banks. Yet its earnings per share are expected to increase only marginally from 6 cents in 1997 to 23 cents in 1999, compared with $1.92 expected for Banco de Venezuela this year, according to a recent report by Salomon Smith Barney, the US investment bank.

BBV may not have got what it bargained for in Banco Provincial, but it is convinced it has a bright future. It has already spent an additional $139m to raise its stake to 49 per cent, and is expected soon to announce that it has majority control.



Middleton steps down at Salomon

By Clay Harris, Banking Correspondent

Peter Middleton is stepping down as European chief executive of Salomon Smith Barney, the US investment bank.

Mr Middleton, above, former chief executive of the Lloyd's insurance market and a former monk, said yesterday that the parting was "absolutely amicable". He added: "I've done what I've come to do, and it's time to move on to something else."

He joined Salomon Brothers, as the bank was known before its 1997 takeover by Smith Barney's parent Travelers Group, nearly three years ago.

The Salomon/Smith Barney merger had raised few issues of integration in Europe, he said, but this was not the case with Travelers' planned merger with Citicorp and Salomon's new joint venture with Japan's Nikko Securities. These changes were on a totally different scale.

"They will take time and there's no quick way of doing it," he said.

"It's a natural time for a new person to come in," Mr Middleton added. Even before the Citicorp and Nikko deals were announced, he had reached an agreement to leave later this year.

He will now go at the end of July. Mr Middleton will decide within a few weeks on his next job, considering options both in financial services and outside the sector.

Salomon said a successor would be named in due course.

Barclays Capital buys Daiwa unit

By Simon Davies

Barclays Capital yesterday announced the acquisition of Daiwa's New York-based global equity financing business in a move designed to build up its securities lending and risk management capabilities. The business was purchased for an undisclosed sum.

The division employs 52 people around the world and will be integrated into Barclays' existing global financing division, which has focused on fixed income securities.

It is another case of a Japanese securities house restructuring its global business in the face of domestic woes.

Daiwa's credit rating has been downgraded by rating agencies, putting the equity financing division at a competitive disadvantage. Standard & Poor's currently rates Daiwa Securities at BBB+ but with a negative outlook, compared with Barclays' AA rating.

Daiwa is selling its prime brokerage business and related securities lending activities, which include collateralised equity financing.

The business will provide support for Barclays' equity derivatives business, one of the few equity-related activities that was retained after the sale of Barclays de Zoete Wedd to Credit Suisse First Boston this year.

The new business will be headed by Kevin Mirabile, who set it up for Daiwa three years ago. It will service primarily hedge fund and fund management clients.

NORMA COHEN
THE PROPERTY MARKET

Investors' factory factor

Factory outlet retail centres, a new concept generating interest in Britain, have *performed worse than any category of listed real estate investment trust in the US*

When BAA McArthurGlen announced it would sell half its 337,569 sq ft designer outlet centre at Cheshire Oaks in Chester, it prompted offers from a variety of buyers including other property companies and pension funds.

Cheshire Oaks, a sprawling centre between Birmingham and Liverpool, offers goods from brand name high street retailers at discounts of at least 30 per cent of full price.

The items may be last season's style and not every size will be in stock, but higher quality goods can be had for much less than available in the high street.

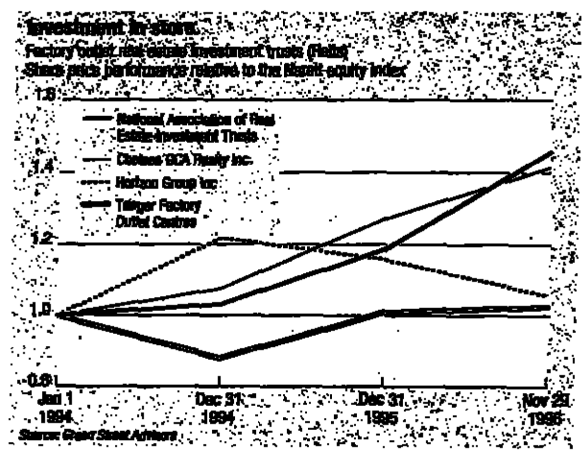
Meanwhile, tenant leases are much shorter than the typical 25 years and contain no provision for rent review. In both the US and UK, rents are a percentage of turnover and lessees can be forced out if they fail to meet the landlord's standards for the quality and price of merchandise.

That such a property should attract so much interest and from such a varied group of potential bidders is all the more startling given that the concept of factory outlet retail centres is very new in Britain. Moreover, in the US where the concept is well established, factory outlets have performed worse than any category of listed real estate investment trust (Reit).

Data from investment bank Lehman Brothers, for instance, shows that from January 1995 to the end of 1997, factory outlet Reits underperformed the key Nareit index, an index of all Reit shares, by 7-32 per cent.

At the beginning of 1998, shares in factory outlet companies traded at the lowest earnings multiple in the industry and companies had the highest leverage in the industry at 48 per cent.

Why then should traditional UK property investors believe that they can earn money by owning factory, or designer, outlet malls?



And what is factory outlet shopping anyway?

Barry Ginsberg, chief executive of Chelsea GCA, the US's largest and most successful factory outlet Reit and one of the originators of the concept, says the genre exists mostly because manufacturers need it.

In the 1970s, Mr Ginsberg recalls, he was inventory manager for Dansk, the upmarket china manufacturer. "And I made a mistake. And I had to find a way to get rid of the extra merchandise."

The solution was to open a shop selling high quality goods at a discount. The lower prices made Dansk products available to a wider range of shoppers who previously would not have spent as much for the same product.

Factory outlets, he says, "are aspirational shopping. It's one level up from what you can afford." That, he says, requires property developers to offer an environment which maintains the brand credibility, even for manufacturers whose only other outlets are on New York City's Madison Avenue.

Industry analysts say the formula apparently works.

Green Street Advisors, an independent Reit share research firm, notes that Chelsea GCA's shares to April 1998 were trading at a premium to underlying assets of 16.5 per cent, well above the Reit industry average of 10.9 per cent.

Scott Malkin, chief executive of Value Retail, the company that developed and managed Bicester Village, arguably Britain's most successful and upmarket factory outlet centre, says that factory outlets are in fact a hybrid between the property and retailing industries.

"Our customer is the brand," Mr Malkin says. "And these [factory outlets] are the designated outlets of the brand."

The trick, Mr Malkin says, is to allow the retailer to sell excess goods without undermining the brand by creating the atmosphere of a cut-price bazaar.

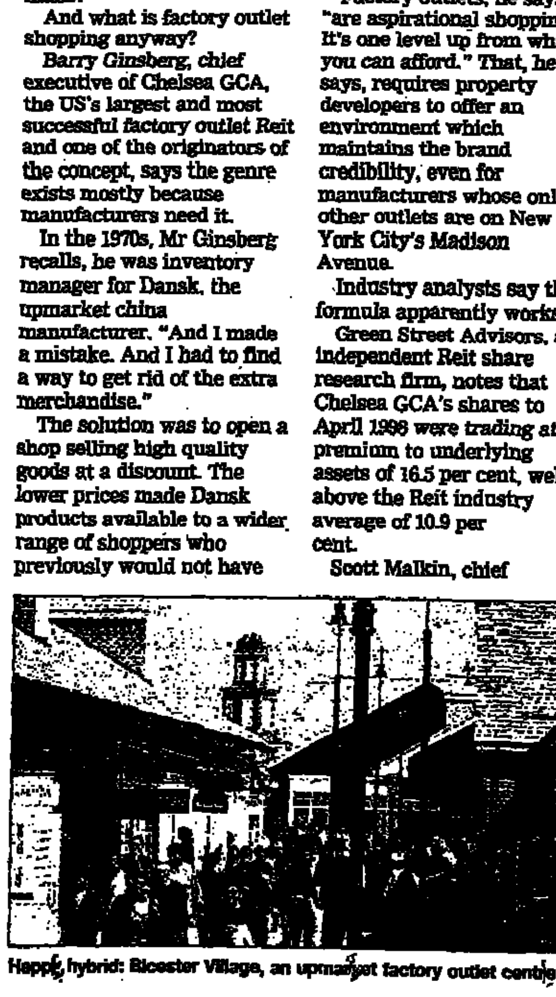
"We're not involved in discount," he says. "We're involved in value for money."

However, some in the industry believe it may not always be necessary to maintain that strict upmarket image. "Factory outlets can be on the lower end of the spectrum too," says Annette Healy, vice-president in charge of retail leasing at Jones Lang Wootton in New York.

Where property investors go wrong on factory outlets, say analysts at Green Street Advisors, is that they fail to understand the risks. The sector is characterised by low barriers to entry and poor tenant and developer discipline.

Moreover, the value of one development is instantly undermined by the creation of a similar one within a few hours' drive. And because manufacturers insist that outlet centres be sited away from full-price retail centres, they are in out-of-the-way places that are hard to resell if the development fails.

Given all those caveats, along with the management-intensive nature of factory outlet development, surely there must be a limited investor base capable of turning cut-price shopping into a high-margin business.



Happy hybrid: Bicester Village, an upmarket factory outlet centre

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ELECTRONICS CONGLOMERATE COMMITTED TO USING £5BN WAR CHEST FOR ACQUISITIONS IN DEFENCE AND TELECOMMUNICATIONS

GEC plans novel £358m share buy-back

By Andrew Edgecliffe-Johnson

GEC said yesterday it was planning an innovative £358m ($598m) share buy-back and reiterated its commitment to using its £5bn war chest for acquisitions in defence electronics, telecoms and industrial electronics.

Lord Simpson, managing director, announced a 7 per cent improvement in pre-tax profits to £1.08bn in the year to March, before £25m of exceptional charges. The profits, which were struck on flat sales of £11.1bn, were at the top end of analysts' expectations despite a £50m hit from the strong pound.

He said the group had undergone a fundamental culture change in the past year, leaving management focused on high-technology, high-margin and high-growth companies which could offer strong returns on investment. John Mayo, finance director, echoed his comments, saying: "Shake off your preconceptions. This is a new group, with a new shape and new aspirations."

In June, GEC sold more than half its stake in the Alstom heavy engineering joint venture for £1.2bn, completed the $1.4bn takeover of Tracor, a US defence electronics group, took 100 per cent control of GPT, its telecommunications partnership with Siemens, and finalised a radar and missiles joint venture with Alenia Difesa of Italy.

The corporate shake-up is being followed by a change in its policy for distributions to shareholders. The full-year dividend was cut from 13.15p to 11.43p yesterday.

Lord Simpson said the company would now consider share repurchases each year, and unveiled a £358m bonus issue of put warrants, which he described as "a reverse rights issue". Shareholders will be able to sell or exercise the warrants, issued on the basis of one for every 50 shares held, in exchange for cash worth about 2.5p per share. The new share re-purchase plan, designed by Warburg Dillon Read, would be free of dealing costs, tax efficient and open to all shareholders, Lord Simpson said.

It would also allow GEC to consider "large acquisitions which might involve debt coming on to the balance sheet," he said, adding that its £5bn of "readily available fire-power" could be increased by turning to the bond markets.

Speaking of GEC's defence electronics group, Marconi, Lord Simpson said it was keen to participate in the restructuring under way in the European industry. But "it would be very, very foolish for the company to get itself into a position where it had to choose between Europe and the US".

Lord Simpson said "the odds are quite long" on a deal with Thomson-CSF, the French defence group.

GEC was also waiting for news on whether regulators' scrutiny of the planned takeover of Northrop Grumann by Lockheed Martin in the US would create any acquisition opportunities for Marconi. "Utopia" for GEC would be to acquire Northrop's defence electronics without its airframe activities, he said.

Mobile phone shares jump

Figures for growth exceed analysts most optimistic expectations and lift share prices in the sector

By Alan Cane

Shares in the UK's principal telecommunications operators rose to record levels yesterday on expectations that growth in mobile phones and data communications will exceed the most optimistic predictions.

Figures from mobile operators indicated that half the population will have a mobile phone by 2002, two years earlier than expected. At present, 16 per cent of people in the UK have a mobile phone.

Shares in Orange, the youngest of the UK's four mobile operators, broke £7 for the first time before settling back at 680p, a rise of 5 per cent on the day, after it announced a net increase of 132,000 subscribers in the past quarter.

The market had expected 125,000 net additions. Orange has 1.45m subscribers.

Vodafone, the largest UK cellular operator, closed at 819p, 23p ahead after touching 849p at one point.

It reinforced its market leading position, adding a net increase of 206,000 subscribers in the past three months.

It has 3.64m customers in the UK, almost 500,000 more than Cellnet, the second largest operator, which added 79,000 subscribers in the period for a total of 3.16m.

Cellnet has been struggling with management and systems problems in the past few months, including the lack of a pre-pay tariff.

Analysts believe that under new management the worst is over and that subscriber numbers will grow.

British Telecommunications has a 60 per cent stake in Cellnet.

Its shares closed 20p up at 765p, but analysts believe this is as much because of its potential in the booming data communications market as its cellular interests.

One-2-One moved into operating profit in April and seems to be on track to move into profit by the end of 1999.

The company has recovered sharply from slow growth caused by management errors. It added a net 160,000 customers last quarter to reach a total of 1.36m subscribers.

One-2-One and Orange, operate systems designed for residential customers while Vodafone and Cellnet were established primarily for business customers.

Analysts yesterday agreed that the market was accelerating. John Tysoe, mobile phone specialist at Société Générale Strauss Turnbull, said that evidence from Scandinavia showed that once penetration reached 15 per cent to 18 per cent, it accelerated to the 50 per cent point, which is roughly the degree of penetration achievedby fixed wire telephones.

James Ross, telecoms analyst with ABN Amro, said mobile share prices were justified by the potential of convergence between mobile and fixed wire telephony.

The price of fixed wire companies such as Energis and BT were justified by the growing demand for data communications.

Report examines analysts' forecasts

By Andrew Edgecliffe-Johnson

Investment analysts at Schroders and Greig Middleton are more accurate in their forecasts of company profits than their more highly rated rivals, according to a survey of analysts published yesterday.

The AQ quarterly report on the accuracy of brokers' estimates for FTSE 100 companies also discloses sharp differences in the predictability of different companies' earnings.

The report awards a percentage score according to how closely analysts' forecasts relate to real earnings figures, and adjusts the ranking according to how often, and by how much, brokers revise forecasts before a final number.

While Schroders comes first with an average "accuracy quotient" of 53 per cent and Greig Middleton is second with 52 per cent, the report puts Credit Suisse First Boston and Goldman Sachs at the bottom with scores below 35 per cent.

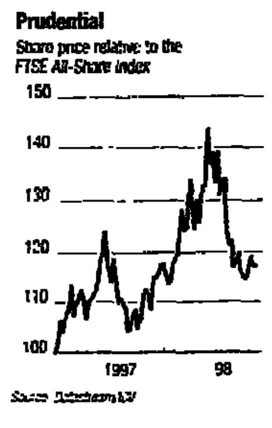
Analysts who get within 5 per cent of the eventual figure should score 40-60 per cent, Graham Field, the publisher of AQ, said yesterday.

He added that the narrow range of scores "reflected the compulsion towards consensus among analysts" and the "herd instinct", encouraged by steering from investor relations executives.

Merrill Lynch and Warburg Dillon Read, which came first and second respectively in this week's Extel survey of investment analysts, are ranked third and fourth.

COMMENT

Pensions mis-selling



History keeps jumping up to bite Prudential Corporation as it tries to put the pensions mis-selling scandal behind it. Words like "bullshit" hurt, even if not applied to Sir Peter Davis, the present chief executive. The Pru was wise to update its estimate of the pensions mis-selling bill before he faced a grilling by MPs. Although £1.1bn represents a big jump in provisions, it was predictable. The Pru has about 10 per cent of the pensions market, and £11bn is the latest estimate of total costs. Also predictable was that the Pru would stick to its line that payments will come from the £13bn surplus in its life fund. This should reassure shareholders that their funds will be unscathed. Policyholders – customers – might be put out, however. They are told that their "reasonable" bonus expectations are safe. But in a windfall era, they might think it "reasonable" to assume they have some claim on this pot of gold. The Pru has suffered a fall in underlying new business figures this year; bad publicity must be partly to blame. Shareholders will hope it gains approval to transfer a large chunk of the surplus to them. But it would do better to repair its image by being generous to policyholders.

Put warrants

General Electric Company may not seem a hotbed of corporate finance innovation, but its novel buy-back scheme could be the first of many in the London market. Instead of paying a special dividend or buying back shares, the company plans to eat into its enormous cash pile by giving shareholders a free bonus issue of put warrants. This warrant gives shareholders the right to sell one in 50 of their shares at 650p, a 21 per cent premium to yesterday's closing price. Alternatively, they can sell their warrants at auction and receive about 2.5p for each of the 50 shares.

Essentially this is the equivalent of an inverted rights issue: shares are bought back at a premium rather than sold at a discount. Like a special dividend it is equitable, since all shareholders are treated alike. But it is more flexible, in that shareholders who wish to increase their stake, rather than just participate in the repurchase pro-rata to their holding, can do so by selling their warrant. That is what will happen automatically for the average Jo who does not understand and does nothing.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Beaufort	Yr to Mar 31	4.06	(3.96)	0.068	(0.504)	0.007†	(0.181)	0.088	Sept 16	0.068	0.088	0.068
Bulmer (HP)	Yr to Apr 24	298.2	(310.5)	18.9♠	(29.3)	21.24	(35.19)	9.8	Sept 14	9.62	15	14.52
Criterion Props	Yr to Mar 31	5.73	(3.57)	1.37	(0.615♥)	13.68	(7.96)	3.5	Aug 24	3.5	6	5.5
French	6 mths to Mar 31	12.9	(11.9)	1.18L♠	(0.485)	9.9L	(2.48)	nil	-	1.575	-	1.575
GEC	Yr to Mar 31	11,101	(11,147)	1,055♠	(707♠)	24.4	(14.7)	8	-	9.89	11.43	13.15
Joseph (Leopold)	Yr to Mar 31	-	(-)	1.86	(1.84)	25.91	(24.47)	16	Sept 9	15.5	20.5	20
Jurys Hotel ♣	Yr to Apr 30	71.4	(57.7)	19.5	(13.8)	34.9	(24.9)	5.88	Aug 27	4.65	9	7.25
Merrydown	Yr to Mar 31	23	(34.9)	4.15L♠	(0.821)	29.78L	(3.92)	nil	-	1	nil	3.1
Xavier Computer Φ	Yr to Mar 31	16.3	(8.96)	0.743♠	(0.582♠)	1.06	(0.85)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ♣Irish currency. ΦAim stock.

Allied Domecq may float C&C

By John Willman

Allied Domecq, the spirits and pubs group, is considering a flotation for Cantrell & Cochrane after agreeing to buy Diageo's minority stake in the Irish drinks distributor.

Allied previously held 50.4 per cent of C&C, which distributes its spirits brands including Ballantine's Scotch whisky and Beefeater gin, as well as Diageo's Irish products, including Ballygowan spring water.

It is buying Diageo's 49.6 per cent of C&C for an undisclosed sum, estimated by analysts to be about I£270m ($380m) – less than half the business's value, to reflect the minority stake. Flotation of the business, with Allied retaining a substantial stake, is one option to be considered in a review of the business.

C&C had net assets of I£167m at the end of August 1997 and made pre-tax profit of I£52m on turnover of I£366m in the previous year.

The European Commission required Diageo to reduce its interests in the Irish drinks distribution sector as a condition for approving the merger between Guinness and Grand Metropolitan to form the food and drink group. At the same time, the Irish competition regulator demanded it reduce its stake in C&C to no more than 10 per cent. Diageo decided to sell out of C&C completely.

Banks seek greater reward from mergers

Simon Davies on the new financing *technique being used by Nomura* International in the Thorn takeover

Another great name from British industry bit the dust last week, plucked by a foreign buyer. Thorn, the once powerful consumer electronics conglomerate, was put out of its misery by Nomura International, European arm of the Japanese *investment bank.*

So far, so routine. But behind this relatively uncomplicated £980m ($1.6bn) agreed offer lies a matter of much wider implication, and not only in the UK. *Nomura's bid, if successful,* will be the first time a new financing technique has been applied to the takeover of a listed company.

The principal finance arm of Nomura is likely to *finance the bid* by issuing bonds, backed by cash flows from Thorn's rental business. The method will increasingly bring investment banks as principals into a mergers and acquisi*tions world hitherto domi*nated by their clients.

In the beginning came the buccaneering conglomerates of the 1960s and 1970s which pounced on inefficient corporate prey, squeezed out costs *and churned out profits.* Then the leveraged buy-out teams of the 1980s ran up huge debts (with interest tax-deductible) to topple empires such as the US tobacco giant, RJ Reynolds.

The cash flow of the target company was used to repay the loans and the new owners of the company took on most of the risk. The banks played an advisory role.

Now the investment banks want a greater share of the rewards. Hence the development of the technique called principal finance. The aim is to take much of the potential benefit of a successful takeover, while passing the risks to outside investors.

Nomura was an unlikely source for such a technique, *as it is hardly an also-ran in* corporate finance. But its principal finance group has outbid Bass and buy-out funds galore to pick up William Hill, the British betting business, adding this to trophies in rail leasing and low-cost housing.

The concept of principal finance was brought to Nomura by Guy Hands just over three years ago, and the group has already made nearly $15bn worth of deals, including Thorn. And it has spawned an industry of copy-cat businesses at other investment banks. Most banks have concentrated their activities on real estate, but they are moving further afield, with Lehman Brothers recently buying Energy Group's US coalmining subsidiary, Peabody.

Mr Hands, 39, now has a rock-star salary. Nomura has done well, too. Its $2.2bn *investment* in AT&T Capital, the leasing arm of the US company, yielded a 70 per cent return in little over a year. And it made about £330m from selling Angel Leasing, the former British *Rail business.*

Mr Hands argues: "Apart from our method of valuing the different cash flows of a business, we are doing exactly the same as merchant banks did at the turn *of the century." His innova*tion has been to use securitisation to fund takeovers.

Nomura's standard model is to make an acquisition, switch the assets into a separate holding company, which *issues short-term bonds* to refinance the acquisition. The assets are effectively turned into securities, hence securitisation.

Guy Hands brought the concept of principal finance to Nomura

The proceeds from these bonds could more or less cover Nomura's acquisition costs. And if over a *three-year period* it improves the business then it can sell out at a hefty profit.

Bond-funded deals are not new – many a bid was funded by the US junk-bond market in the 1980s. But *many of Nomura's issues* have been structured so as to achieve investment-grade credit ratings – this makes the bonds accessible to a broader spectrum of investors, and the the bonds pay a lower rate of interest.

Mr Hands says that Nomura's competitive advantages are a large balance sheet, low cost of capital, global sales network and its contacts. But investment banks also have some potential disadvantages. One is the attitude of their clients. Andy *Stone, head of the principal* finance group at CSFB, said: "A minority of clients will say, 'we won't deal with you, because you are no longer just a service provider, you are a competitor'."

*Here, Nomura is in a rela*tively strong position, because of the paucity of its corporate finance client list, but it remains an issue elsewhere. Clearly, clients want to be able to rely on the impartiality of advice.

Then there is the issue of management skills. Mr Stone says: "My biggest fear is that just because we have out-engineered everyone financially, it doesn't mean that we can run a company." CSFB's response has been to bring in partners to run the *company.*

There is also the risk that interest rates may go up. Securitisation is a cheap financing tool when rates are falling, because bond investors have to accept a lower return. But as interest rates rise, so does the cost of refinancing such investments. And *stock market* exits become hard to find.

But the greatest challenge is that of competition. When Nomura bid for Angel Trains in late 1995, *there was one other bidder.* Less than a year later when it bid for Annington Homes, the Ministry of Defence's housing business, there were 20 other competitors.

The traditional buy-out *funds are now using securi*tisation techniques for valuing targets. And given the amount of capital raising for buy-out funds, they are under pressure to do deals. Moreover, this is happening at a time when stock markets are hitting all-time highs, pushing up the price *of potential targets.*

As Mr Hands says: "It would be stupid to suggest that an arbitrage opportunity will remain in the financial markets for any length of time, and no one else will *spot it." But the hope is that* as the market gets overcrowded in the UK and US, participants can turn to Europe, or even back to Nomura's home territory in Asia.

NEWS DIGEST

RETAILERS

Thorn to buy Eclipse Retail for A$68m

Thorn, the rental company which operates Radio Rentals in the UK, is to buy Eclipse Retail, Australia's second largest rental operator, *for* A$68m ($43m). The deal follows Tuesday's recommended £980m ($1.6bn) offer for Thorn from Nomura International, the Japanese investment bank. The purchase is *intended* to improve the price Thorn can obtain when it sells its Asia-Pacific operations as part of a programme of sales to concentrate on its core UK operations. Thorn announced last month it was selling its US operations for £545m.

Eclipse Retail, which trades under the name *Rentlo*, is part of Philips, of the Netherlands. In the year to December last year, Eclipse made operating profits of A$10.9m on sales of A$56.7m. *Unlike Radio Rentals, Rentlo generates nearly all of* its sales by telephone, avoiding the need for costly shops. Clearance has already been obtained from the Australian competition authorities.

Thorn also announced the sale of its domestic rental business in the Benelux countries. **Robert Wright**

COMPUTER SERVICES

Paribas sells 8% of Sema

Paribas, the French banking group, yesterday took advantage of the buoyant state of the *UK computer services market* when it sold an *8 per cent stake* in Sema Group for £270m.

The disposal left Paribas with a 14 per cent interest in the AngloFrench software and services company. The bank said it had agreed to make no further sales for six months. France Telecom, Sema's biggest shareholder, said it had no intention at present of reducing its 22.5 per cent stake

Like all large UK information technology groups, Sema has seen its share price rise sharply over the past year driven by demand for services, like the outsourcing of IT staff, and work *associated with the year* 2000 Millennium computer bug.

Yesterday, the shares, which stood at 310p a year ago, rose 5p to 727p. Paribas's stake was placed among institutional investors at 710p a share. The French bank and HSBC Investment Bank led the global bookbuilding offering.

Pierre Bonelli, chief executive of Sema, said: "The reduction of the Paribas group companies' holding will serve to further *broaden the ownership of the company's shares amongst* major institutions as well as to enhance liquidity."

Paribas's sale comes almost a year after Sema restructured its shareholding to enable it to expand its US operations. The banking group's significant shareholding had meant Sema was deemed a financial institution and had been restricted in selling non-financial products. **Christopher Price**

AUTOMOTIVE COMPONENTS

No referral for £1.5bn T&N bid

Nigel Griffiths, competition and consumer affairs minister, confirmed expectations that Federal-Mogul's £1.5bn takeover of T&N, the larger automotive components group, would not *be referred to a Monopolies and Mergers Commission yester*day. Mr Griffiths said the Director General of Fair Trading received no representations on the takeover, despite his request for views on proposals that Federal-Mogul should divest T&N's thin-wall bearings assets. **Andrew Edgecliffe-Johnson**

LEGAL NOTICES

No. 002762 of 1998

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
CWI HOLDINGS PLC
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that an Order of the High Court of Justice, Chancery Division dated 24th June 1998 confirming the reduction of share capital of the above named Company from £133,000,000 to £3,000,000 and the Minute approved by the Court showing with respect to the capital as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on the 25th day of June 1998.

Dated the 3rd day of July 1998

CLIFFORD CHANCE
200 Aldersgate Street
London EC1 4JJ

Ref: KO

Solicitors to the Company

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EURO PRICES

EQUITIES

Japan bank plans take off shine

EUROPEAN OVERVIEW

By Martin Dickson, Financial Editor

Trans-European equity indices moved sluggishly higher yesterday in trade that lacked clear direction, with the FTSE Eurotop 100 index closing up 17.47 at 2,958.73.

Disappointment at the scope of the Japanese government's plan to resolve the problems of bad bank debt was offset by positive stories on individual European stocks and benign US payroll statistics.

The FTSE Eurotop 300 index ended the day at 1,275.06, up 5.21, while the Ebloc 100 index, which tracks stocks from countries joining European monetary union in the first wave, closed up 3.68 at 1,064.09.

In the bond markets, eurozone governments closed higher, helped by hopes of a new round of safe-haven buying from Asia. The benchmark 10-year German bund was quoted in late trading around 103.90, up 0.31, for a yield of 4.73, down from 4.77.

Among sectors, the best performance came from healthcare, which put on 3.19 per cent as Nycomed Amersham rose Ecu 0.20 to Ecu 7.18.

Investment companies rose 2.45 per cent, with Générale de Belgique adding Ecu 7 to Ecu 159.14.

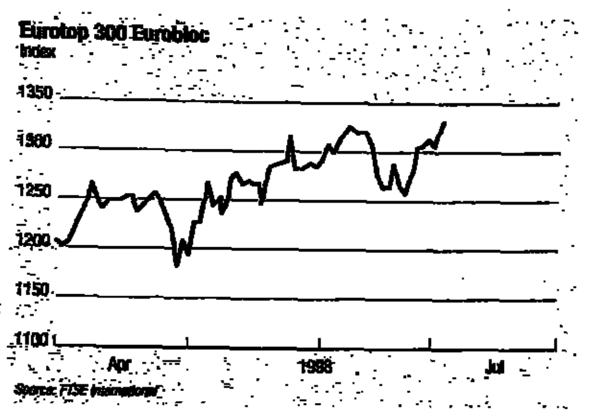
Telecoms was up 1.88 per cent, with strong rises in UK mobile companies Orange – Ecu 0.50 ahead at Ecu 10.37 – and Vodafone – up Ecu 0.30 at Ecu 12.43 - on the industry's strong second-quarter customer growth.

Oil stocks were firmer, with the integrated sector up 0.86 per cent. Brent futures rose on fears that a strike by Venezuelan petrochemical workers could lead to industrial action by oil workers in the country. Royal Dutch rose Ecu 0.50 to Ecu 51.18, while Petrofina was Ecu 9.50 ahead at Ecu 391.74.

Other rising sectors included engineering, up 1.31 per cent, and chemicals, up 1.29 per cent.

Among the fallers, the biggest drop came from information technology, which dipped 1.90 per cent. Cap Gemini rose Ecu 2 to Ecu 146.64, but SAP (pref) fell Ecu 19 to Ecu 593.35. Other declining sectors included paper and packaging, down 1.51 per cent, and diversified industrials, which dipped 1.59 per cent, with Veba down Ecu 1.90 at Ecu 57.54.

Eurotop 300 Eurobloc



Source: FTSE International

THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.810	95.830	+0.045	95.830	95.800	932	15684
Dec	96.075	96.080	+0.045	96.075	96.075	50	7274
Mar	96.010	96.030	+0.040	96.010	96.010	30	4844
Jun	-	95.920	+0.040	-	-	-	1830

THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Jul	Aug	Sep	Dec	PUTS Jul	Aug	Sep	Dec
95875	0.010	0.025	0.045	-	0.055	0.070	0.090	-
96000	0	0.005	0.010	0.165	0.170	0.175	0.180	0.075

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3000.0	2992.0	+23.0	3000.0	3000.0	50	939
Dec		3027.0	+23.0				73

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Eur10 per index point

	2725		2750		2775		2800		2825		2850		2875		2900	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Jul	[illegible]															
Aug	[illegible]															

Est. vol. total - Prev day's open interest total: 4,197 - Premiums shown are based on settlement prices.

OTHER INDICES

	Jul 2	Jul 1	Jun 30	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3482.12	3476.12	3417.88	3482.12	2574.31	3482.12	2976.42
DJ Euro Stoxx 50	3471.85	3464.08	3408.83	3471.85	2465.31	3471.85	2865.52
MSCI Europe	1254.79	1237.13	1243.65	1256.00	980.60	1256.60	1010.78

Source: Datastream of FT Information. *Subject to revision next day. (d) unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

July 02 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1275.06	+0.41	+5.21	2.18	18.50	1304.85
FTSE Eurotop 100	2958.73	+0.59	+17.47	2.17	24.67	1054.32
FTSE Ebloc 100	1064.09	+0.35	+3.68	1.78	11.71	1076.33
FTSE Eurotop 300 Regions						
Eurobloc	1330.20	+0.35	+4.64	1.81	17.56	1354.04
UK	1183.63	+0.69	+8.14	2.79	21.44	1226.22
Europe Ex-Eurobloc	1231.37	+0.47	+5.78	2.66	18.46	1263.90
Europe Ex-UK	1327.85	+0.27	+3.59	1.88	16.83	1349.12
FTSE Eurotop Industry Sectors						
RESOURCES	1027.46	+0.79	+8.10	2.82	19.78	1052.54
Extractive Industries	798.49	-0.74	-5.93	3.95	0.00	798.49
Oil, Integrated	983.72	+0.86	+8.44	2.81	12.96	1007.08
Oil, Exploration & Prod	976.82	+0.68	+6.56	2.58	0.00	976.82
GENERAL INDUSTRIES	1254.65	+0.59	+7.33	2.12	17.28	1276.82
Construction	957.76	-0.43	-4.16	2.89	0.00	957.76
Building Matls & Merchs	1070.98	+0.08	+0.85	2.50	7.85	1078.43
Chemicals	1104.78	+1.29	+14.04	2.65	15.96	1122.35
Diversified Industrials	1028.19	-1.59	-16.63	2.14	16.20	1044.39
Electronic & Elect Equip	1056.88	+1.18	+12.33	1.73	3.25	1060.19
Engineering	1052.84	+1.31	+13.63	3.11	6.97	1060.00
Paper, Pckg & Printing	958.82	-1.51	-14.72	2.42	0.00	958.82
CONSUMER GOODS	1208.94	+0.32	+3.89	1.63	13.21	1236.14
Automobiles	1163.95	+0.65	+7.48	0.98	6.88	1171.39
Alcoholic Beverages	1014.22	+0.57	+5.72	2.26	5.82	1020.30
Food Producers	1074.98	+1.05	+11.17	1.58	7.80	1083.07
Household Goods & Texts	1103.34	-1.83	-20.55	1.69	7.01	1110.54
Healthcare	1128.26	+3.19	+34.88	5.88	9.52	1139.73
Pharmaceuticals	1029.09	+0.22	+2.26	1.32	2.07	1031.25
Tobacco	1064.17	+0.67	+7.12	4.12	1.81	1066.17
SERVICES	1257.33	+0.75	+9.36	1.96	15.67	1284.42
Distribution	999.34	-1.09	-11.01	1.16	11.37	1010.56
Leisure & Hotels	1009.16	+1.27	+12.62	2.53	8.12	1017.21
Media	1055.15	+0.33	+3.43	2.22	3.32	1058.53
Retailers, Food	1084.30	+0.31	+3.36	1.98	9.18	1094.42
Retailers, General	1042.49	+0.46	+4.79	2.23	10.63	1053.50
Telecommunications	1113.66	+1.88	+20.55	1.90	7.38	1121.74
Breweries, Pubs & Rests	1005.97	-1.05	-10.71	3.07	8.89	1015.07
Support Services	1071.10	-1.16	-12.53	0.97	5.66	1077.21
Transport	1077.87	+0.78	+8.38	2.32	7.82	1086.02
Information Technology	1260.57	-1.90	-24.41	0.32	2.23	1263.44
UTILITIES	1399.39	+1.42	+19.62	3.23	50.67	1472.35
Electricity	1046.02	+1.78	+18.34	3.42	24.66	1072.58
Gas Distribution	1122.24	+1.36	+15.09	1.70	84.81	1225.59
Water	1074.03	-0.32	-3.40	4.85	29.85	1105.87
FINANCIALS	1393.36	-0.09	-1.24	2.36	20.60	1423.22
Banks, Retail	1008.42	-0.48	-4.86	2.89	8.08	1016.65
Insurance	1024.25	+0.66	+6.70	1.30	7.52	1032.08
Life Insurance	1088.06	-0.67	-7.33	1.85	3.19	1091.67
Other Financial	992.32	+1.75	+17.05	2.03	13.23	1005.41
Investment Companies	1093.78	+2.45	+26.18	2.05	20.66	1114.23
Property	865.89	-0.50	-4.37	3.21	16.01	881.80

 FTSE Eurotop indices are compiled by FTSE International. Eurotop 300: Addition: EDP (Portugal) (Utilities). Deletion: Generale Banque (Belgium) (Financials). Eurotop 100: Addition: Fortis AG (Belgium) (Financials). Deletion: Generale Banque (Belgium) (Financials).

FTSE EUROTOP 300

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
ALCOHOLIC BEVERAGES					
[illegible]					
AUTOMOBILES					
[illegible]					
BANKS RETAIL					
[illegible]					
BREWERIES, PUBS & RESTAURANTS					
[illegible]					
BUILDING MATERIALS & MERCHANTS					
[illegible]					
CHEMICALS					
[illegible]					
CONSTRUCTION					
[illegible]					
DISTRIBUTORS					
[illegible]					
DIVERSIFIED INDUSTRIALS					
[illegible]					
ELECTRICITY					
[illegible]					
ELECTRONIC & ELECTRICAL EQPT.					
[illegible]					
ENGINEERING					
[illegible]					
EXTRACTIVE INDUSTRIES					
[illegible]					
FOOD PRODUCERS					
[illegible]					
GAS DISTRIBUTION					
[illegible]					
HEALTH CARE					
[illegible]					
HOUSEHOLD GOODS & TEXTILES					
[illegible]					
INFORMATION TECHNOLOGY					
[illegible]					
INSURANCE					
[illegible]					
INVESTMENT COMPANIES					
[illegible]					
LEISURE & HOTELS					
[illegible]					
LIFE INSURANCE					
[illegible]					
MEDIA					
[illegible]					
OIL, EXPLORATION & PRODUCTION					
[illegible]					
OIL, INTEGRATED					
[illegible]					
OTHER FINANCIAL					
[illegible]					
PAPER, PACKAGING & PRINTING					
[illegible]					
PHARMACEUTICALS					
[illegible]					
PROPERTY					
[illegible]					
RETAILERS, FOOD					
[illegible]					
RETAILERS, GENERAL					
[illegible]					
SUPPORT SERVICES					
[illegible]					
TELECOMMUNICATIONS					
[illegible]					
TOBACCO					
[illegible]					
TRANSPORT					
[illegible]					
WATER					
[illegible]					

Notes
[illegible]

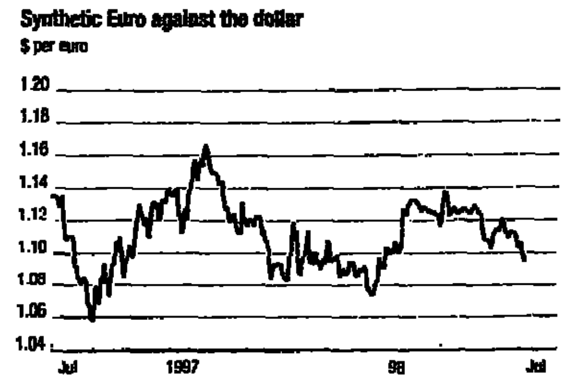
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Jul 02	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.071176	+0.0000	+0.00	+0.0024	+0.02
Belgium	BEF	41.252082	+0.0035	+0.01	+0.0039	+0.01
Czech Republic	CZK	35.928462	-0.2247	-0.62	-0.5416	-1.49
Denmark	DKK	7.618608	-0.0004	+0.00	+0.0028	+0.04
Finland	FIM	6.079914	+0.0012	+0.02	+0.0024	+0.04
France	FRF	6.699541	-0.0016	-0.02	-0.0044	-0.07
Germany	DEM	2.000098	+0.0000	+0.00	+0.0003	+0.02
Greece	GRD	336.178972	-0.3980	-0.12	-0.9714	-0.29
Hungary	HUF	241.215300	-0.3980	-0.16	+0.3809	+0.16
Ireland	IEP	0.794593	+0.0005	+0.07	+0.0004	+0.05
Italy	ITL	1970.236870	+0.3549	+0.02	+0.4001	+0.02
Luxembourg	LUF	41.252082	+0.0035	+0.01	+0.0039	+0.01
Netherlands	NLG	2.254694	+0.0001	+0.00	+0.0008	+0.04
Norway	NOK	8.534931	+0.0465	+0.55	+0.1157	+1.37
Poland	PLN	3.828427	-0.0053	-0.14	-0.0225	-0.59
Portugal	PTE	204.773135	+0.2622	+0.13	+0.0309	+0.02
Romania	ROL	9534.785131	-23.7232	-0.25	+2.5328	+0.03
Russia	RUB	6.838394	-0.0212	-0.31	-0.0653	-0.95
Slovakia	SKK	38.652843	-0.0338	-0.09	-0.3098	-0.80
Spain	ESP	169.703040	-0.0372	-0.02	-0.0018	+0.00
Sweden	SEK	8.886180	+0.0272	+0.31	+0.1193	+1.36
Switzerland	CHF	1.681389	+0.0004	+0.03	+0.0083	+0.49
United Kingdom	GBP	0.661886	-0.0010	-0.15	-0.0040	-0.60
ECU	ECU	1.009294	+0.0001	+0.01	-0.0006	-0.06
Americas						
Brazil	BRL	1.269658	-0.0026	-0.21	-0.0131	-1.02
Canada	CAD	1.609822	-0.0034	-0.21	-0.0228	-1.40
Mexico	MXN	9.858594	+0.0345	+0.35	-0.0427	-0.43
United States	USD	1.097656	-0.0022	-0.20	-0.0124	-1.11
Pacific/Middle East/Africa						
Australia	AUD	1.791374	+0.0110	+0.62	-0.0324	-1.78
Hong Kong	HKD	8.505404	-0.0143	-0.17	-0.0917	-1.07
Japan	JPY	154.923108	+2.3345	+1.53	-1.1672	-0.75
Singapore	SGD	1.869637	+0.0126	+0.68	+0.0281	+1.53
South Africa	ZAR	6.882300	+0.2669	+4.03	+0.8466	+14.03

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0388, ESP 0.0848, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0187

Synthetic Euro against the dollar



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

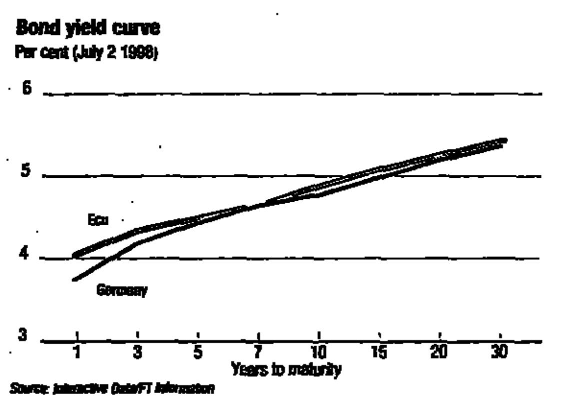
Bilateral conversion rates against the D-Mark

Jul 02	Fixed rate	Market rate	Diff fxd value%	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0355	+0.00	+0.00	7.0391	3.70	+0.07
Belgium	20.6255	20.6257	+0.00	+0.05	20.6307	3.74	+0.05
France	3.35386	3.3497	-0.12	-0.02	3.3499	3.7	+0.01
Finland	3.04001	3.0399	+0.00	-0.02	3.0417	3.81	+0.12
Ireland	0.402676	0.3973	-1.34	-1.32	0.4017	5.93	+2.24
Italy	990.002	985.0996	-0.50	-0.47	990.1165	4.72	+1.03
Luxembourg	20.6255	20.6257	+0.00	+0.05	20.6307	3.74	+0.05
Netherlands	1.12674	1.1273	+0.05	+0.03	1.1269	3.62	-0.07
Portugal	102.505	102.3840	-0.12	-0.07	102.6227	4.17	+0.48
Spain	85.0722	84.8499	-0.26	-0.18	85.1049	4.3	+0.61
Germany	1		+0.00	+0.00		3.69	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3; forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates. Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98. DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings

BONDS

Bond yield curve



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

Jul 02	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible Issues								
Belgium (Kingdom of)	03/08	5.750	N/A	106.440	4.90	-0.04	-0.09	-0.05
France (Rep of)	04/08	5.250	N/A	103.430	4.83	-0.03	-0.10	-0.05
Italy (Rep of)	05/08	5.000	AA	100.410	4.95	-0.03	-0.06	+0.10
Portugal (Rep of)	06/08	5.375	AA-	103.260	4.95	+0.00	-0.07	+0.10
Euro Issues								
Abbey Nat'l Treas Srv	02/03	4.875	AA	101.210	4.57	-0.06	-0.11	-0.08
Gen Electric Cap Crp	10/04	5.500	AAA	104.140	4.72	+0.00	-0.10	+0.18
Oest Kontrollbank	04/08	5.250	AAA	102.440	4.93	-0.06	-0.10	+0.08
Cred Local de France	04/08	5.250	AA+	101.150	5.10	+0.03	-0.10	+0.25
Ecu Issues								
Bayer Hypo & Wch Bk	07/01	5.000	A+	101.540	4.44	-0.03	-0.08	+0.16
Cred Foncier France	03/04	8.375	A	115.690	5.12	-0.04	-0.13	+0.58
Euro Inv Bank	04/04	5.250	AAA	104.040	4.44	-0.07	-0.16	-0.10
ABN Amro Hldg. NV	04/07	6.375	AA-	108.337	5.17	-0.05	-0.09	+0.38

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Euro "in" sovereigns and fungible into one big Euro issue 1/1/00. Euro issues are issued in the new currency, Ecu bonds are issued in Ecus but convert to Euros 1/1/99

GOVERNMENT BOND SPREADS vs ECU

Jul 02	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"Ins"						
Austria	-0.01	-0.03	+0.07	+0.02	+0.04	+0.02
Belgium	-0.04	-0.01	+0.08	+0.06	+0.02	+0.08
Finland	-0.10	+0.05	+0.12	+0.05	-0.30	-0.48
France	-0.13	-0.10	-0.06	-0.03	-0.02	-0.03
Germany	-0.16	-0.09	-0.01	-0.11	-0.04	-0.06
Ireland	+0.80	+0.05	+0.11	+0.16	+0.11	+0.23
Italy	+0.28	+0.20	+0.20	+0.17	+0.16	+0.19
Luxembourg	-0.04	-0.01	+0.08	+0.06	+0.02	+0.08
Netherlands	-0.11	-0.07	-0.03	-0.06	-0.01	-0.03
Portugal	+0.13	+0.14	+0.19	+0.19	+0.22	+0.36
Spain	+0.02	+0.08	+0.11	+0.14	+0.16	+0.31
"Outs"						
Denmark	+0.13	+0.13	+0.17	+0.10	+0.04	+0.14
Greece	+6.59	+4.49	+3.64	+2.98	+2.63	+2.45
Sweden	+0.13	+0.11	+0.17	+0.10	+0.11	-0.07
UK	+2.81	+1.73	+1.39	+0.91	+0.43	+0.03

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

Jul 02	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	+0.02	+0.03	-0.05
France Telecom	AA+	11/06	6.250	FRF	+0.16	+0.18	+0.15
Halifax	AA	07/07	5.625	DEM	+0.18	+0.19	+0.18
Ing Bank NV	AA-	01/08	5.500	NLG	+0.17	+0.19	+0.17
Bayer Hypo W Bk	AA-	02/02	6.750	ITL	+0.32	+0.34	+0.28
Cred Foncier	A	02/03	7.250	DEM	+0.32	+0.39	+0.28
Thomson-Brandt Int	A-	03/04	6.375	FRF	+0.38	+0.39	+0.29
Generale des Eaux	BBB+	03/04	6.250	FRF	+0.32	+0.31	+0.26
Bank of China	BBB	07/98	7.125	DEM	+0.83	+0.87	+0.58
Natl Bk of Hungary	BBB-	06/01	9.000	ATS	+0.66	+0.69	+0.79
Korea Dev Bank	B+	11/02	5.625	FRF	+5.86	+5.05	+4.46

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

Bund futures jump on US jobs data

GOVERNMENT BONDS

By Jeremy Grant in London and John Labate in New York

European prices rose yesterday, swept higher by US jobs data showing unemployment at a three-month high, disappointment that Japan's bank rescue plan did not appear to go far enough, and a stronger dollar.

The benchmark German bund futures contract reached record highs in reaction to the US figures, which also showed non-farm payrolls for June expanding by the slowest month-on-month rate since March.

Markets interpreted this as a sign that the US economy was growing more slowly, in spite of agreement among economists that the employment figures were to some extent distorted by the recent strike by workers at General Motors.

This, and the perception that Japan's bank debt plan did not prove to be sufficiently hard-hitting, is likely to keep bonds well-bid in the short term, analysts said.

"I think the markets are suggesting the Japanese economy is not going to see an early recovery. What you had [yesterday] out of Japan underpins the safe haven flows and on the domestic funds side you had some US statistics that were supportive for bonds," said Han de Jong, head of fixed income research at ABN Amro in Amsterdam.

Markets were also waiting to see how the US would react to the Japanese package, with the tone of its response seen as a strong indicator for the near-term direction of US bonds.

US TREASURIES moved higher after the release of the closely-watched employment report and as traders expressed disappointment with the Japanese banking policy proposals.

By early afternoon the benchmark 30-year bond had gained $\frac{3}{32}$ to $107\frac{5}{32}$, yielding 5.597 per cent.

The two-year note rose $\frac{1}{16}$ to $99\frac{29}{32}$, yielding 5.425 per cent while the 10-year note gained $\frac{1}{32}$ to $101\frac{11}{16}$, yielding 5.401 per cent.

Payrolls rose 205,000 in June, sharply below the 309,000 rise the month earlier. The unemployment rate increased to 4.5 per cent.

"It was right on consensus," said Claude Persico, economist at Dresdner Kleinwort Benson. "We're seeing a sustained slowdown in the second quarter."

Traders said Treasuries did not rise as far as might have been expected as bond-friendly economic news had already been priced in earlier in the week, after two reports on manufacturing activity. Trading was thin ahead of a long holiday weekend. The market will be closed today.

GERMAN BUNDS were buoyed by a stronger dollar initially and rose further later after the release of the US jobs data.

The price of the September 10-year bund futures contract hit a record 108.74, before settling up 0.28 at 108.43. Volume was heavy, with 441,000 contracts traded in Frankfurt.

UK GILTS underperformed other core European markets, held back partly by comments from a senior monetary policy official warning of the need to keep interest rates high.

Traders said gilts had failed to move in tandem with core Europe owing to wariness over next week's MPC meeting, at which it is possible interest rates may rise again.

A Confederation of British Industry retail sales report showed annual retail sales volumes had slowed in June in spite of expectations of an increase. The figure meshed with a view among many economists that interest rates need not rise again next week as the economy is clearly slowing.

However, Bank of England monetary policy committee member Willem Buiter said the Bank would persist with a tight monetary policy as long as domestic demand posed a risk to inflation.

Today sees the publication of the purchasing managers' services survey.

The September 10-year futures contract settled up 0.14 at 108.89 in modest volume of 56,000 contracts traded. In the cash market, the spread between the benchmark gilt and bund contracts widened 2 basis points to 118 points.

Electricité de France prepares E1bn bond

By Vincent Boland

Electricité de France, the French utility, is preparing to tap the markets with a E1bn bond issue aimed at investors in the French, German and Dutch markets that prefer bonds with some domestic characteristics.

The bond, which could be issued next week but is awaiting enabling legislation in France, will be similar to domestic issues from those markets while retaining its eurobond characteristics.

It will be listed in Paris, Frankfurt and Amsterdam, and investors will be able to use local settlement agencies and receive a prospectus in French, German or (for Dutch investors) English.

"There are investors who prefer to buy something with a bit of a domestic flavour and this bond will be targeted at them," said Christophe Angely, managing director at Deutsche Bank, sole book-runner for the issue and joint lead manager with CDC Marchés. "We have looked at what investors wanted and sought a single currency solution."

Mr Angely declined to comment on pricing but other bankers said it would be priced to ensure heavy demand so all the paper would be sold.

The EdF bond will be issued under the mutual recognition directive of the European Commission, which enables an issue approved by one regulatory authority – in this case the COB in Paris – to be issued on a pan-European basis.

"The format is neither a eurobond nor a domestic bond but has all the aspects of both," one banker said. It is expected to have a maturity of 10 to 12 years.

NEWS DIGEST

DERIVATIVES

Turnover on Liffe reaches record levels in June

The London International Financial Futures and Options Exchange shrugged off its troubles last month to record its highest ever turnover for a single month. Led by buoyancy in its future on three-month D-Mark interest rates – Liffe's most popular contract – total volume grew by 6 per cent compared with June 1997 to 18.13m contracts.

The exchange said five separate contracts broke volume records in June. The future on the FTSE 100 index set a daily record on June 15 with 840,790 contracts traded. The future on sterling also set a daily record, on June 17, with 552,954 contracts traded and a monthly record of 3.92m contracts against a previous high of 2.81m contracts.

Records were also set in the future on the Euroswiss contract, the sterling option contract and on one of the exchange's sugar options. The exchange, which, for the first time, was overtaken on a monthly basis by the Deutsche Terminbörse in May, said it had also regained the lead over the DTB last month measured by turnover.

Total volume in the first six months of 1998 rose by 6 per cent to 109m contracts, with an average daily turnover of £248bn in nominal terms. The exchange, which is due to appoint a new full-time chairman to replace Jack Wigglesworth within the next fortnight, plans to launch daytime electronic trading for equity options in November. The system, Liffe Connect, will be available for other contracts by mid-1999. **Edward Luce**

EUROPEAN MUTUAL FUNDS

Equities overtake bonds

European equity mutual funds were bigger than bond funds in May for the first time, and equity funds continue to grow faster than other types of mutual funds, reflecting the continued drive towards equity investment by European retail investors.

The ratio of equities to bonds in European mutual funds has swung from 44 to 56 at the end of 1996 to 50.2 to 49.8 so far this year, according to a report on European mutual funds and cross-border portfolio flows by J.P. Morgan. At the same time, retail investors are putting nearly three times more money into funds that invest in foreign equities than into funds that invest in domestic stocks.

In Germany, overseas equities as a share of total equity fund assets rose from 26 per cent at the end of 1993 to 43 per cent this year. In Spain, the rise has been even more dramatic – from 2 per cent to 20 per cent.

J.P. Morgan says confidence in European monetary union is a key factor driving cross-border investment, which is mainly concentrated on other European equity markets with the exception of the UK. "Long-held concerns about the overvaluation of the US equity market, the problems in Japan and the Asian crisis of last autumn are all likely to have limited the appetite for investment outside of Europe," according to Gary Dugan and Tim Harris, strategists at the bank.
Vincent Boland

Asda issues in sterling sector

INTERNATIONAL BONDS

By Vincent Boland and Edward Luce

Asda Group, the UK supermarket chain, used last month's well-received results as a platform to tap the sterling sector with a £150m 17-year bond, its longest-dated issue, priced to yield 92 basis points over the 8 per cent gilt of 2015.

The proceeds are to be used for corporate purposes – the supermarket chain has a heavy capital expenditure programme and wanted to take advantage of prevailing long-term interest rates.

The bond is the first in sterling for some weeks and was well received by UK investors attracted by the name and Asda's good financial performance, according to bankers at Greenwich NatWest, joint lead manager with Merrill Lynch.

"There is an underlying strong desire to buy sterling credit products and this allowed Asda to get an attractive interest rate," one banker said. The bond carries a coupon of $6\frac{5}{8}$ per cent.

The 17-year maturity – Asda already has outstanding issues maturing in 2007 and 2010 – reflects investor interest in that area of the yield curve.

"Longer dated issues are doing well – that's where investors want to put their money. It makes sense for Asda to tap that part of the curve," a syndicate banker at Merrill Lynch said.

SAXONY-ANHALT became the first German state to issue a rated bond, in a DM2bn offering. The deal, structured as a "euro-Asian" offering to appeal to Japanese and other Asian investors, follows the state's Aa3/AA minus ratings from Moody's and Standard & Poor's, respectively.

Many institutional investors in Asia and elsewhere cannot invest in unrated paper for reasons of risk management.

The issue, launched at a spread of 25 basis points over the 10-year German government bond, was lead-managed by Deutsche Bank and Goldman Sachs.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Crediop Overseas Bank‡	150	(a)	100.062	Jul 1999	0.05	-	Morgan Stanley DW
Banco ABN Amro Brazil	50	8.75#	99.90R	Jul 2000	0.50R	+338(Jun00)	ABN Amro
■ D-MARKS							
State of Saxony-Anhalt	2bn	5.00(s)	100.03R	Jan 2009	0.325R	+25(5¼Jan08)	Deutsche/Goldman Sachs
Lloyds Bank plc(b)	150	5.25	99.794R	Jul 2008	0.40R	+52(5¼Jan08)	Goldman/Lehman Bros
■ STERLING							
Asda Group plc	150	6.625	99.441R	Jul 2015	0.625R	+92(8%-2015)	G NatWest/Merrill Lynch
■ SWISS FRANCS							
Dresdner Finance	300	3.625	102.15	Aug 2008	2.75	-	CSFB
DSL Bank(c)	150	2.50	101.15	May 2003	2.00	-	CSFB
■ EUROS(e)							
DePfa Europe‡	200	(d)	100.0465	Jul 1999	0.0625	-	Warburg Dillon Read
■ AUSTRALIAN DOLLARS							
GECC	100	5.375	100.875	Jul 2001	1.375	-	TD Securities
■ GREEK DRACHMA							
DePfa Bank	10bn	9.00	100.00R	Jul 2001	0.225R	-	TD Securities

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor -5bp. b) DM600m launched Tuesday was increased to DM750m. c) Fungible with SFr150m. Plus 71 days accrued. d) 3-mth Libor -½%. e) Payments in Ecu prior to Emu. ¶ Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Jul 2	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	102.9836	5.21	+0.06	-0.07	+0.48	-0.23
	10/07	10.000	132.3317	5.46	-	-0.08	+0.13	-1.56
Austria	09/99	7.000	103.5700	3.89	-0.04	-0.07	-0.18	+0.05
	07/07	5.625	105.8600	4.81	-0.04	-0.05	-0.10	-0.86
Belgium	01/00	4.000	99.9700	4.01	-0.03	-0.05	-0.08	+0.48
	03/07	8.250	109.7300	4.85	-0.04	-0.05	-0.10	-0.86
Canada	09/99	4.750	99.5000	5.18	-0.06	-0.05	+0.08	+0.67
	06/07	7.250	113.6000	5.29	-0.06	-0.05	-0.02	-0.92
Denmark	12/99	6.000	102.4000	4.21	-0.03	-0.05	-0.14	+0.10
	11/07	7.000	115.2100	4.93	-0.03	-0.02	-0.12	-1.32
Finland	01/99	11.000	103.6515	3.68	-0.02	-0.05	-0.05	-0.05
	04/06	7.250	115.5720	4.80	-0.03	-0.03	-0.08	-1.15
France	01/00	4.000	100.0981	3.92	-0.03	-0.07	-0.08	+0.33
	10/04	8.750	112.1200	4.49	-0.04	-0.06	-0.12	-0.65
	10/07	5.500	105.4000	4.76	-0.03	-0.04	-0.10	-0.76
	10/25	6.000	109.6800	5.32	-0.02	-0.03	-0.09	-1.12
Germany	09/99	4.000	100.2100	3.81	-0.01	-0.02	-0.08	+0.31
	11/04	7.500	115.9500	4.54	-0.04	-0.06	-0.13	-0.86
	07/07	6.000	109.1600	4.73	-0.03	-0.04	-0.12	-0.90
	07/27	6.500	117.5100	5.30	-0.04	-0.04	-0.11	-1.18
Ireland	04/99	6.250	100.6000	5.33	-0.03	-0.06	-0.08	-0.53
	08/06	8.000	119.6700	4.99	-0.05	-0.05	-0.10	-1.42
Italy	05/00	6.000	102.8900	4.35	-0.04	-0.08	-0.13	-1.61
	05/02	6.250	105.9500	4.55	-0.03	-0.05	-0.14	-1.60
	07/07	6.750	112.9500	4.95	-0.06	-0.05	-0.11	-1.76
	11/26	7.250	125.2000	5.49	-0.04	-0.02	-0.08	-1.88
Japan	03/00	6.400	109.9400	0.51	-0.03	+0.02	+0.12	-0.34
	12/02	4.800	116.6700	0.96	-0.08	+0.08	+0.16	-0.80
	09/05	3.000	111.2000	1.36	-0.10	+0.09	+0.17	-0.96
	09/17	3.000	112.5400	2.20	-0.09	+0.11	+0.17	-0.83
Netherlands	11/99	7.500	104.5700	3.95	-0.04	-0.03	-0.06	+0.38
	02/07	5.750	107.1100	4.72	-0.04	-0.04	-0.10	-0.79
New Zealand	02/00	6.500	99.0325	7.12	+0.02	-0.56	-0.18	+0.48
	11/06	8.000	110.3578	6.35	-0.02	-0.22	-0.11	-0.58
Norway	01/99	9.000	101.9800	5.22	+0.06	+0.22	+0.34	+0.98
	01/07	6.750	108.1500	5.52	-0.03	+0.08	+0.07	-0.49
Portugal	03/99	8.500	102.8900	4.21	-0.04	-0.02	-0.02	-1.11
	02/07	6.625	111.3300	4.97	-0.03	-0.04	-0.05	-1.38
Spain	07/99	7.400	103.3000	4.15	-0.06	-0.07	-0.01	-0.85
	03/07	7.350	117.0900	4.89	-0.04	-0.06	-0.11	-1.41
Sweden	01/99	11.000	103.5569	4.05	-0.03	-0.05	-0.33	-0.61
	08/07	8.000	122.4040	4.89	-0.04	-0.04	-0.14	-1.67
Switzerland	03/00	5.000	104.7000	2.11	-0.02	-0.03	+0.28	+0.55
	06/07	4.500	111.1000	3.06	-0.03	-0.02	+0.21	-0.28
UK	08/99	6.000	98.7188	7.22	+0.02	+0.03	+0.58	+0.37
	11/04	6.750	103.7344	6.04	-0.02	-0.01	+0.23	-0.94
	12/07	7.250	110.2109	5.83	-0.01	-0.02	+0.20	-1.16
	06/21	8.000	131.0625	5.58	-0.03	-0.04	-0.05	-1.42
US	10/99	5.625	100.1720	5.48	-0.04	-0.11	-0.09	-0.54
	11/04	7.875	112.6560	5.49	-0.03	-0.09	-0.15	-0.80
	08/07	6.125	104.3830	5.51	-0.03	-0.07	-0.15	-0.80
	08/27	6.375	110.2430	5.65	-0.04	-0.06	-0.20	-1.06
ECU	01/00	4.000	99.8500	4.08	-0.06	-0.09	-0.11	-0.03
	04/07	5.500	105.0200	4.78	-0.03	-0.03	-0.11	-1.17

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents

10 YEAR BENCHMARK SPREADS

Jul 2	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.46	+0.72	+0.06	New Zealand	6.35	+1.61	+0.95
Austria	4.87	+0.13	-0.53	Norway	5.53	+0.79	+0.13
Belgium	4.91	+0.17	-0.49	Portugal	5.04	+0.30	-0.36
Canada	5.29	+0.55	-0.11	Spain	4.99	+0.25	-0.41
Denmark	4.95	+0.21	-0.45	Sweden	4.95	+0.21	-0.45
Finland	4.90	+0.16	-0.50	Switzerland	3.06	-1.68	-2.34
France	4.82	+0.08	-0.58	UK	5.76	+1.02	+0.36
Germany	4.74	-	-0.66	US	5.40	+0.66	-
Ireland	5.01	+0.27	-0.39	ECU	4.85	+0.11	-0.55
Italy	5.02	+0.28	-0.38				
Japan	1.36	-3.38	-4.04				
Netherlands	4.79	+0.05	-0.61				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis

EMERGING MARKET BONDS

Jul 2	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
■ EUROPE								
Croatia	02/02	7.000	BBB-	96.7301	8.05	-0.02	+0.39	+2.64
Poland	07/04	7.125	BBB-	102.4106	6.63	-0.02	-0.05	+1.23
Russia	06/07	10.000	B-	75.5000	15.07	+0.17	+3.28	+9.67
■ LATIN AMERICA								
Argentina	03/27	9.750	BB	93.1655	10.50	-0.02	-0.17	+4.92
Brazil	05/27	10.125	BB-	86.6500	11.75	+0.06	+0.51	+6.17
Mexico	05/26	11.500	BB	114.1000	9.98	-0.06	+0.22	+4.41
■ ASIA								
China	07/06	7.750	BBB+	103.9849	7.06	-0.02	+0.16	+1.68
Philippines	10/16	8.750	BB+	94.9356	9.33	-0.02	-0.36	+3.85
Thailand	04/07	7.750	BBB-	89.2371	9.61	-0.02	+0.69	+4.21
■ AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	101.6692	8.20	-0.02	+0.03	+2.77
South Africa	10/06	8.375	BB+	102.3832	7.96	-0.02	+0.25	+2.56
Turkey	09/07	10.000	B	99.3407	10.10	-0.02	+0.26	+4.70
■ BRADY BONDS								
Argentina	03/23	5.750	BB	74.8750	8.41	-0.03	-	+2.87
Brazil	04/14	5.000	B6-	74.4945	10.81	-0.02	+0.51	+5.35
Mexico	12/19	6.250	BB	83.1250	7.89	-0.05	+0.04	+2.39
Venezuela	03/20	6.750	B+	79.2500	8.93	+0.08	+0.55	+3.42

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	104.38	104.79	-0.04	104.88	104.54	131,531	121,189
Dec	-	104.45	-	-	-	-	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
102	2.60	2.62	2.67	-	0.03	0.09
103	1.61	1.69	1.80	0.01	0.10	0.21
104	0.63	0.89	1.04	0.03	0.29	0.45
105	0.01	0.33	0.50	0.41	0.73	0.90

Est. vol. total, Calls n/a Puts n/a. Previous day's open int., Calls n/a Puts n/a.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	108.43	108.71	+0.28	108.77	108.43	14119	71604
Dec		108.09	+0.26			0	170

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
10850	0.47	0.67	0.54	0.81	0.26	0.46	0.95	1.22
10900	0.23	0.42	0.35	0.60	0.52	0.71	1.26	1.51
10950	0.09	0.23	0.22	0.43	0.88	1.02	1.63	1.84

Est. vol. total, Calls 24168 Puts 13453. Previous day's open int., Calls 162807 Puts 109076

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	105.69	105.78	+0.05	105.86	105.67	116,808	243,528
Dec	105.24	105.30	+0.02	105.26	105.24	117	12,502

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	120.42	120.79	+0.41	120.90	120.40	47131	94220
Dec		107.09	+0.41			0	3250

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Aug	CALLS Sep	PUTS Aug	PUTS Sep
10300				
10350				
10400				

Est. vol. total, Calls 1310 Puts 235. Previous day's open int., Calls 7370 Puts 12583

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	109.83	110.06	+0.23	110.14	109.80	65,896	113,749
Dec	-	109.76	-	-	-	-	-

UK

■ NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	103.05	103.05	+0.08	103.08	103.04	270	3335

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	108.77	108.89	+0.14	109.05	108.72	58853	129865
Dec		109.11	+0.14			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
10850	0.76	1.08	1.41	0.37	0.69	0.80
10900	0.49	0.80	1.13	0.60	0.91	1.02
10950	0.30	0.58	0.89	0.91	1.19	1.28

Est. vol. total, Calls 4431 Puts 1405. Previous day's open int., Calls 43659 Puts 17993

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	123-19	123-28	+0-11	124-10	123-12	479,129	948,659
Dec	123-10	123-20	+0-12	124-00	123-08	12,279	165,881
Mar	-	123-12	+0-12	123-15	-	502	18,290

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	133.02	132.98		133.04	132.72	3896	n/a
Dec	132.63	132.75		132.53	132.53	50	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	-	103.72	+0.24	-	-	0	18

US CORPORATE BONDS

Jul 1	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA-	104.3560	6.00	-0.03	+0.01	+0.57
NY Tel	08/25	7.00	A+	101.3908	6.88	-	-0.07	+1.25
CWE	05/08	8.00	BBB	111.6739	6.38	-0.01	-0.05	+0.95
■ FINANCIALS								
GECC	05/07	8.75	AAA	118.6408	6.00	-0.02	-0.11	+0.57
Banc One	08/02	7.25	A+	104.0236	6.11	-0.04	+0.02	+0.68
US West	01/07	7.30	BBB	105.5437	6.44	-	+0.25	+0.98
■ INDUSTRIALS								
WMX Tech	04/99	6.25	BBB	100.0163	6.21	-0.03	+0.17	+1.13
Wal Mart	05/02	6.75	AA	102.9397	5.88	-0.03	+0.04	+0.45
Dayton Hud	06/21	9.70	BBB+	135.7470	6.64	+0.01	-0.10	+1.01
■ AGENCIES								
FHLMC	04/07	7.14	N/A	109.5956	5.73	-0.01	-0.11	+0.30
SLMA	03/00	7.50	N/A	102.9302	5.64	-0.04	-0.01	+0.20
FNMA	02/18	8.95	N/A	134.7320	5.92	-	-0.15	+0.28
FFCB	06/06	8.95	N/A	120.5745	5.68	-0.02	-0.10	+0.25
■ HIGH YIELD								
Stone Cont	02/01	8.88	B	102.3750	0.00	-	-	-
AK Stl	12/01	9.13	BB-	104.5000	0.00	-	-	-
Pacalta	08/04	10.75	B-	99.7500	0.00	-	-	-

NY closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Close		Treasury Bills and Bond Yields			
Prime rate	$8\frac{1}{2}$	One month	-	Two year	5.44
Broker loan rate	$7\frac{1}{4}$	Two month	-	Three year	5.43
Fed.funds	$5\frac{5}{8}$	Three month	5.07	Five year	5.42
Fed.funds at intervention	$5\frac{1}{2}$	Six month	5.19	10-year	5.41
		One year	5.33	30-year	5.60

INTERNATIONAL BONDS

Jul 2	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO DM								
EIB	02/07	5.750	AAA	106.4000	4.82	-0.03	-0.06	+0.08
Spain	01/07	5.750	AA	106.2800	4.83	-0.03	-0.10	+0.10
Philip Morris	03/04	5.375	A	101.3800	5.09	+0.01	+0.04	+0.56
Finland FRN	09/02	3.628	AA	100.6780	3.77	-0.03	-0.15	-0.49
■ EURO FFR								
Austria	01/04	5.500	AAA	104.7300	4.51	-0.04	-0.12	+0.04
Abbey Nat	02/04	6.000	AA	106.6200	4.63	-0.03	-0.10	+0.16
Cred Foncier	02/04	9.125	A	120.7800	4.81	-0.03	-0.09	+0.34
3CIF FRN	12/01	3.633	AA-	99.9397	4.03	-0.03	-0.10	-0.15
■ EURO LIRA								
EIB	02/07	7.000	AAA	113.8500	4.98	-0.04	-0.11	+0.03
Abbey Nat	02/02	6.800	AA	106.8700	4.68	-0.05	-0.15	+0.10
Walt Disney	06/00	8.625	A	107.2500	4.66	-0.05	-0.08	+0.23
EIB FRN	03/01	4.892	AAA	100.0772	4.23	-0.05	-0.13	-0.24
■ EURO £								
EIB	12/07	7.625	AAA	109.5831	6.24	-	+0.27	+0.37
Dresdner Bk	12/07	7.750	AA-	106.6022	6.77	-0.01	+0.23	+0.90
British Gas	03/00	7.625	A+	99.9845	7.60	-	+0.69	+0.64
Abbey Nat FRN	02/02	7.650	AA	99.9562	6.42	-0.03	+0.42	+0.01
■ EURO $								
EIB	04/07	7.250	AAA	109.5900	5.82	-0.01	-0.14	+0.42
ABN Amro	08/07	7.125	AA-	105.6422	6.29	-0.01	-0.08	+0.89
Quebec	01/07	7.000	A+	105.4519	6.17	-0.01	-0.07	+0.77
Citicorp FRN	02/04	5.754	A+	100.4459	5.57	-0.01	-0.03	+0.17
■ EURO C$								
Bayer L-Bk	08/04	9.500	AAA	119.0969	5.70	-0.07	+0.07	+0.17
Toronto	05/04	8.500	AA+	113.7589	5.68	-0.07	+0.07	+0.15
Bell Canada	07/99	10.625	A+	104.8043	5.65	-0.07	+0.06	+0.06
Deutsche B FRN	09/02	5.875	AAA	100.7882	5.66	-0.07	+0.18	+0.16
■ EURO YEN								
World Bank	03/02	5.250	AAA	115.8889	0.88	-0.06	+0.10	+0.17
Spain	03/02	5.750	AA	117.6995	0.88	-0.06	+0.10	+0.17
Cred Foncier	08/02	4.750	A	113.4778	1.34	-0.06	+0.12	+0.63
Italy FRN	07/99	0.711	AA	100.2464	0.14	-0.01	+0.04	-0.13

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Thu Jul 2	Day's change %	Wed Jul 1	Accrued interest	xd adj. ytd
1 Up to 5 years (18)	118.70	0.05	118.64	2.26	5.14
2 5-15 years (22)	182.22	0.14	182.06	2.03	5.82
3 Over 15 years (9)	208.03	0.25	208.53	1.83	6.32
4 Irredeemables (4)	283.20	0.51	281.86	2.21	7.46
5 All stocks (46)	154.99	0.13	154.92	2.15	3.79
Index-linked					
6 Up to 5 years (2)	217.84	0.13	217.56	1.06	3.13
7 Over 5 years (9)	235.40	0.36	234.56	2.07	2.94
8 All stocks (11)	231.06	0.32	231.22	1.82	2.96

UK Indices

	Low coupon yield Jul 2	Jul 1	Yr. ago	Medium coupon yield Jul 2	Jul 1	Yr. ago	High coupon yield Jul 2	Jul 1	Yr. ago
5 yrs	6.27	6.26	7.00	5.33	5.36	7.06	8.29	8.31	7.12
15 yrs	5.85	5.57	7.00	5.68	5.71	7.07	5.75	5.78	7.13
20 yrs	5.48	5.59	7.00	5.63	5.65	7.07	5.73	5.76	7.13
Irred.†	5.72	5.75	7.16						

Index-linked	Inflation 5% Jul 2	Jul 1	Yr. ago	Inflation 10% Jul 2	Jul 1	Yr. ago
Up to 5 yrs	3.06	3.09	3.57	2.41	2.43	2.91
Over 5 yrs	2.61	2.63	3.60	2.42	2.44	3.41

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jul 2	Jul 1	Jun 30	Jun 29	Jun 26	Yr ago	High*	Low*
Govt. Secs. (UK)	105.36	105.07	105.06	104.78	104.88	93.02	106.73	93.31

© FTSE International Ltd 1998. All rights reserved. * for 1998. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 146.70 (18/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]						

Shorts* (Lives up to Five Years); Five to Fifteen Years; Over Fifteen Years; Undated; Index-Linked — [illegible]

Other Fixed Interest

Notes	Int	Red	Price £	+ or -	52 week High	52 week Low
[illegible]						

● 'Tap' stock. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. [illegible] HSBC Greenwell [illegible]

CURRENCIES & MONEY

Yen weakens despite new bank plan

MARKETS REPORT

By Daniel Dombey

The yen has performed better in recent days, boosted by expectations about Japan's new plan to help restructure its troubled banking sector.

Yesterday, the plan, for a "bridge bank" was formally announced – and the yen promptly fell. It ended European trading hours at Y141.1, against the dollar, from Y138.7 the day before.

But while the markets greeted the measures with some disappointment, the currency remained within the range of Y143-Y138, where it has spent most of its time since the US Federal Reserve and the Bank of Japan intervened to protect the currency last month.

"It wasn't that the news was bad. People had factored in their expectations about this plan, and there were no surprises," said Tim Fox at Standard Chartered in London.

"The Japanese have taken some relatively good steps but there is still a deficit in terms of trust between the markets and the Japanese government."

Details of the plan for the bank, which would dispense loans to the clients of failed institutions, had emerged in previous days.

The markets generally like the idea of the bank, which should make it easier to accomplish a restructuring of the Japanese banking sector as a whole. But, perhaps irrationally, they had also been hoping for concrete news of an permanent income tax cut. There is no obvious reason why fiscal and banking measures should be announced together, save for the fact that the US has recently been urging both on Japan, as a means of getting the country's stricken economy going again.

■ At the heart of the bridge-bank scheme are proposals to place failed banks under public administration and strip them of bad assets. Loans to healthy borrowers would be maintained, however, while administrators sought to find a purchaser.

Y30,000bn already set aside to deal with the banking sector's difficulties is available to fund the bank. Markets are worried that the money will be inadequate to cope with the banking sector's problems loans – which officially total Y77,000bn and could be still more. However, officials have already intimated that more money could be forthcoming if needed.

"The market is looking for some more commitment," said Ray Attrill, at 4CAST, an economic consultancy. commitment "But this side of the elections [to Japan's upper house on July 12] mooting more funds to support the banking system, which is spectacularly unpopular, is a no-no."

■ The dollar strengthened to DM1.822, helping the pound put on a pfennig to DM3.022.

US data on non-farm payrolls and unemployment indicated that the US's pace of job growth slowed in response to the impact of the Asian crisis. But, although the figures were greeted with a brief rush into US treasuries, helping the dollar, it was the continuing stand-off in Russia which dominated trade.

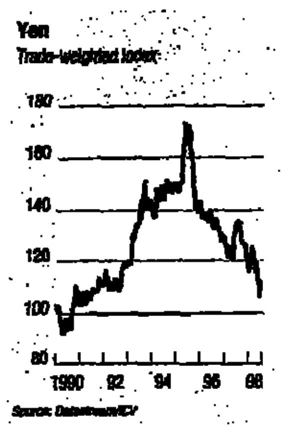
"You have got an accumulation of factors external to the US which are keeping the dollar supported," said Mr Fox.

In response to the country's difficult fiscal situation, Sergei Kiriyenko, Russia's prime minister, threatened to seize the assets of Gazprom, the country's biggest company, unless it paid its taxes in full.

■ Data on its central bank's reserves and a clutch of the usual rumours provided for a dreadful day for the South African rand, which dropped to R6.35 against the dollar, the latest in a series of lows.

The bank's exposure to dollar forwards rose $4.6bn from the previous month to $22.5bn in June, suggesting it tried to support the rand by buying rand and selling dollars for delivery at a future date as well as intervening in the spot market.

"The Bank of Thailand tried to support the baht by using forwards a year ago, before the devaluation," said Mr Fox. "These figures illustrate how limited the Reserve Bank's potential to support the rand is. The market is now looking at even lower levels."



■ POUND IN NEW YORK

Jul 2	–Close–	– Prev. close –
£ spot	1.6580	1.6600
1 mth	1.6553	1.6579
3 mth	1.6494	1.6513
1 yr	1.6348	1.6271

■ OTHER CURRENCIES

Jul 2	£	$
Czech Rp	54.2300 - 54.3290	32.7120 - 32.7520
Hungary	364.268 - 364.571	219.730 - 219.780
Iran	4976.40 - 4973.40	3000.00 - 3000.00
Kuwait	0.5088 - 0.5094	0.3070 - 0.3071
Peru	4.8574 - 4.8669	2.9300 - 2.9340
Poland	5.7758 - 5.7858	3.4840 - 3.4880
Russia	10.3284 - 10.3360	6.2290 - 6.2318
UAE	6.0888 - 6.0931	3.6728 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
95625	0.100			0.135		
95750	0.060	0.330	0.340	0.220	0.030	0.060
95875	0.025			0.310		

Est. vol. total, Calls 1200 Puts 4025. Previous day's open int., Calls 101478 Puts 97941

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

BASE LENDING RATES

[illegible]

COMMODITIES & AGRICULTURE

Aluminium falls to four-year low

MARKETS REPORT
By Kenneth Gooding and Paul Solman

Aluminium for delivery in three months on the London Metal Exchange fell to a four-year low of $1,291.50 a tonne yesterday as consumers stepped back in the expectation of even lower prices.

"The fundamentals for aluminium are not horrendously bad but sentiment is poor for all metals at the moment," said Angus MacMillan at Billiton Metals.

The economic crisis in Asia, which accounted for nearly 30 per cent of aluminium demand – excluding the former eastern European bloc – last year, and Japan, which alone accounted for 13 per cent, was responsible for the poor sentiment.

LME aluminium stocks had continued to fall, but only slowly, and represented about six weeks' consumption. However, there was nearly 500,000 tonnes in Japanese warehouses, Mr MacMillan said, and unknown volumes outside the LME warehousing system.

"It is difficult to find anything positive to say about the short to medium-term outlook," he said.

Billiton is forecasting a 300,000 tonne aluminium supply surplus this year and sees the three-month price averaging $1,322 a tonne, 17 per cent below the 1997 average of $1,599.

Traders said pressure on the aluminium price eased late in the London day ahead of the long weekend Independence Day US holiday.

Independence Day also contributed to yesterday's rise in world oil prices, as dealers moved to balance their books ahead of the break. Traders said the market might also be reacting to signs that the latest round of agreed production cuts would be honoured.

In late trading on London's International Petroleum Exchange, the benchmark Brent crude contract for August delivery stood at $13.66 a barrel compared with Wednesday's closing price of $13.42.

Cocoa strengthened again on the London International Financial Futures Exchange as funds reacted to this week's price rally and began buying. The most actively traded September contract closed at £1,085, up £24 on Wednesday's close of £1,061.

The rise, which follows seven weeks of falling prices, was helped by indications from Ivory Coast, the world's largest cocoa producer, that its crop might not develop as well as expected and the market might be faced with a global deficit next year.

Coffee ended down $7 at $1,573 a tonne after the September contract hit an eight-month low of $1,565 at one stage.

Angola tense after diamond embargo

Sanctions against Unita have undermined confidence in the sector, says Chris Gordon

Angola's diamond industry has again become a political pawn, six months after Unita surrendered its mining operations in the Cuango valley.

Yesterday, the United Nations imposed sanctions on the rebel movement's economic activities, including diamond trading, in a bid to avert the collapse of the peace process in Angola. The move follows increasing military activity by Unita and several failed deadlines.

However, the sanctions cover not only Unita's diamonds but all diamonds exported without a government export certificate.

Large quantities of Angolan gemstones have reached the open market in recent years. De Beers bought some $800m in 1996 and $600m-$700m last year, but this year the supply has fallen with Unita's withdrawal from the Cuango valley.

Unita has been the main *source of smuggled diamonds* from Angola since 1992, accounting for two-thirds of its estimated $1bn production last year.

The return of the Cuango valley to state control at the beginning of this year seemed to be the green light for the beleaguered diamond sector, as Angola's most valuable diamond resource.

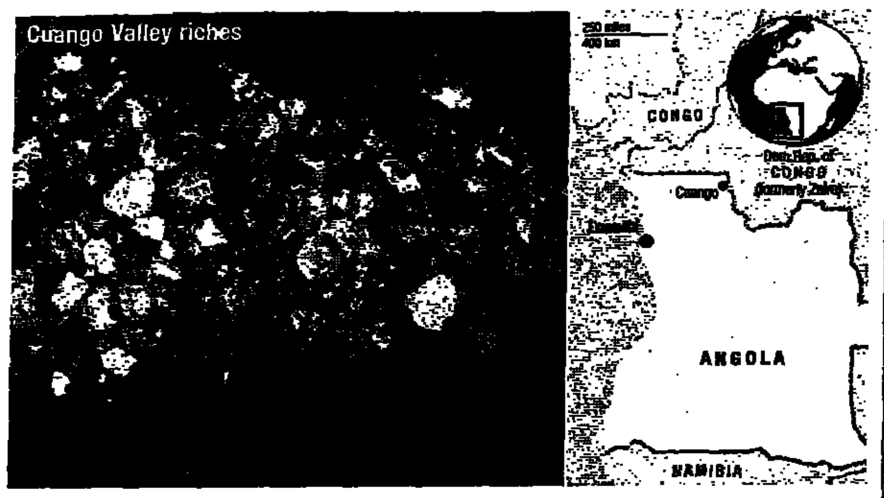
Sociedade Desenvolvimento Mineral – a consortium comprising Ashton Mining of Australia, Odebrecht Mining Services of Brazil and the Angolan parastatal Endiama – formally took over the Luzamba mines in January and has been rehabilitating the area.

The consortium expects to begin small-scale mining operations this month, stockpiling the production until repairs to its dense media separation plant and sort house are completed.

Unita's occupation of the mining regions in 1992 had brought official mining activities almost to a halt, but growth in the sector over the past year has been considerable.

New *mining projects* have come on stream, and most of the known diamondiferous areas of the country are subject to mining and prospecting contracts with a wide range of companies.

Angola's largest state backed mining project, the Catoca kimberlite near Saurimo in Lunda Sul, expects to produce 1m carats of diamonds over the next year.



The project, a joint venture between Almaazi Rossi Sahka (Alrosa), Odebrecht, Lev Leviev and Endiama, has moved faster than expected and is self-financing.

The installation of new plant by August will allow a 50 per cent rise in production. *The diamonds, worth* $75 or more per carat, are sold to Leviev by Alrosa, which holds the marketing contract.

The alluvial deposits that have attracted smaller mining companies, and illegal miners, are most difficult to secure. Angola produces the second most valuable gemstones in the world, after Namibia, from its rivers.

Military and police operations to improve security in the eastern mining regions have led to a fall in the number of *garimpeiros* – illegal miners – outside Unita areas and better security for mining companies.

The strategy of using licensed buying offices to soak up the diamonds produced by the illicit diggers also seems to have worked.

The third of Angola's diamonds not mined by Unita have largely gone out by legal channels, according to Endiama. De Beers and the American Lazare Kaplan International are the largest buyers on the open market in Angola and Antwerp.

However, the optimism of a few months ago has given way to a more sober assessment as security conditions in Angola have deteriorated and Unita's commitment to the peace process is now in serious question.

Diamond trading sanctions will become more meaningful if Unita tries to recapture the mining regions. Although army units, as well as private security companies, protect the bigger mining projects the next few weeks will be tense unless Unita backs down.

Anglo linked to Tenke project

By Kenneth Gooding, Mining Correspondent

Anglo American Corporation, South Africa's biggest company, says it has been asked to make a bid for participation in the $475m Tenke Fungurume copper-cobalt project in the Democratic Republic of Congo, formerly Zaire.

However, Phil Wright, president of Tenke Mining, which owns 55 per cent of the project, yesterday refused to confirm Anglo had been invited to bid. He said: "A number of companies have been doing their due diligence work for six months and I am not willing to release their names.

"Tenke is a world-class project and it is important that we take the time to ensure that we have the right partners to participate in its development. This is perhaps the most important decision we will make."

Julian Ogilvie Thompson, Anglo chairman, referred in his annual statement to Africa's potential as a low cost producer of base metals and suggested that Tenke, in which Congo's state-owned Gecamines has a 45 per cent stake, had the potential to produce 400,000 tonnes of copper and 20,000 tonnes of cobalt a year.

However, Mr Wright said a draft feasibility study projected annual production of 100,000 tonnes of copper and 6,000 tonnes of cobalt in the first four years, rising to 200,000 tonnes and 13,000 tonnes, respectively.

Cash costs would probably be the lowest in the world at only 6 cents a pound of copper ($132 a tonne), assuming a cobalt by-product price of $10 a pound.

Discussions about debt funding for the project were at an advanced stage and there were "strong indications" this would be on normal project finance terms.

Grain outlook 'uncertain'

By Paul Solman

Economic and currency turmoil in Asia will continue to cause uncertainty for grain exporters this year, according to the International Grains Council.

In its latest Grain Market Report, published yesterday, the council says traders in the *Asia-Pacific region* are under pressure as a result of the recent devaluations in currencies such as the Indonesian rupiah.

"Buyers in this region will, therefore, seek out both the cheapest sources of supply and more favourable credit terms," the report says. "Some traders have already incurred losses from earlier shipments and have claimed compensation under official credit schemes."

Global wheat production is now forecast to reach 598m tonnes in the 1998-99 season, slightly below last season's record of 609m tonnes.

The council says higher than expected output in Australia, China, India, Pakistan, Turkey and the US has forced it to revise last month's forecast of 592m tonnes.

Consumption is now estimated to reach 600m tonnes, some 12m tonnes higher than last season's figure of 588m tonnes, and stocks are expected to fall to 129m tonnes from 131m tonnes last season.

Large wheat harvests in countries such as India and Pakistan are damaging trade prospects, the council says, forecasting trade at 94m tonnes compared with 97m tonnes last year.

The council has also raised its forecast for coarse grain production in 1998-99 to 909m tonnes compared with last season's output of 908m tonnes.

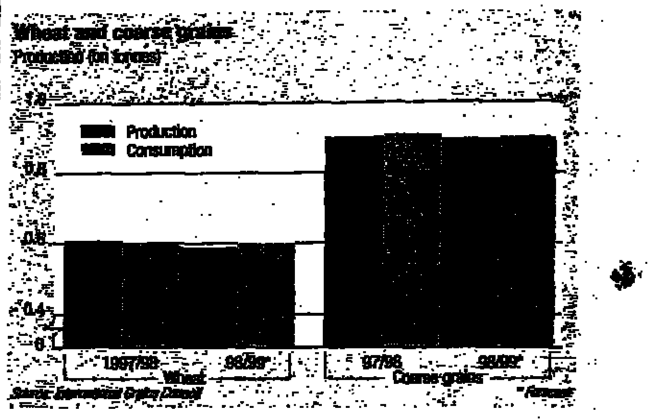
Coarse grain consumption is now put at 902m tonnes in 1998-99 compared with 897m tonnes in 1997-98. World trade is estimated at 90m tonnes against 88m tonnes last season.

Commenting on the output of the world's leading wheat producers, the grains council puts the US crop at 65m tonnes against 68.8m tonnes produced last season, attributing the fall to a smaller planted area.

China's crop is estimated at 117m tonnes in 1998-99 against 123.3m tonnes last season, while India's crop is expected to total 66.5m tonnes, down from 69.3m tonnes in 1997-98. Russian output is put at 39.5m tonnes compared with a 1997-98 crop of 44.2m tonnes.

In Pakistan, wheat output this season is forecast at 18.3m tonnes against 16.7m tonnes last season.

Grain Market Report, International Grains Council, London.



COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1265-6	1293-4
Previous	1287-88	1314-15
High/low		1311/1291
AM Official	1268-68.5	1296-97
Kerb close		1298.5-9.0
Open int.	286,574	
Total daily turnover	69,677	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1180-90	1175-80
Previous	1195-205	1190-85
High/low		1180/1165
AM Official	1175-80	1175-75.5
Kerb close		1170-4
Open int.	7,513	
Total daily turnover	1,678	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	566-7	548-9
Previous	556-57	555-56
High/low		549/543
AM Official	553-54	545-45.5
Kerb close		548-9
Open int.	38,241	
Total daily turnover	7,833	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4195-205	4250-60
Previous	4185-95	4240-50
High/low		4330/4210
AM Official	4240-45	4285-95
Kerb close		4240-45
Open int.	52,340	
Total daily turnover	12,654	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5580-90	5450-60
Previous	5620-30	5490-500
High/low		5500/5430
AM Official	5595-605	5465-70
Kerb close		5470-75
Open int.	16,994	
Total daily turnover	3,696	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	993-4	1018-9
Previous	987.5-88.5	1012-13
High/low		1021/1011
AM Official	995-96	1020-21
Kerb close		1020-1
Open int.	89,928	
Total daily turnover	12,615	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1592-3	1610-11
Previous	1593.5-94.5	1611-12
High/low		1614/1600
AM Official	1594-95	1608-09
Kerb close		1612-3
Open int.	170,884	
Total daily turnover	55,969	

■ LME AM Official £/$ rate: 1.6588
LME Closing £/$ rate: 1.6590

Spot: 1.6559 3 mths: 1.6477 6 mths: 1.6376 9 mths: 1.6294

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	72.50	+0.50	72.60	71.70	1,490	5,430
Aug	72.70	+0.35	72.90	72.15	70	2,559
Sep	72.85	+0.35	73.10	72.00	12,427	28,633
Oct	73.05	+0.25	72.80	72.55	35	1,882
Nov	73.25	+0.25	74.75	74.00	13	1,514
Dec	73.55	+0.25	73.60	72.80	1,344	13,918
Total						

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	293.50-294.00		
Opening	296.00-296.30		
Morning fix	295.75	178.109	452.202
Afternoon fix	294.05	177.481	450.720
Day's High	296.50-296.80		
Day's Low	293.70-294.00		
Previous close	295.40-295.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.37	6 months	3.83
2 months	4.31	12 months	3.79
3 months	4.24		

Silver Fix	p/troy oz.	US cts equiv
Spot		

Silver Lending Rates

1 month	2.25	6 months	1.50
2 months	2.25	12 months	1.50
3 months	2.25		

Gold Coins	$ price	£ equiv.
Krugerrand	295-299	178-180
New Sovereign	69-73	42-44

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	294.1	-2.3	-	-	-	-
Aug	295.0	-2.4	297.7	294.4	23,577	76,741
Oct	297.2	-2.4	298.7	296.5	266	7,584
Dec	299.1	-2.4	301.9	298.6	695	21,852
Feb	300.8	-2.4	301.3	300.2	26	13,023
Apr	302.6	-2.4	-	-	20	8,385
Total					24,951	166,119

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	375.6	+5.1	395.0	369.0	182	893
Oct	367.6	-1.9	368.5	365.5	2,970	9,897
Jan	369.1	-1.4	-	366.1	14	180
Apr	369.1	-1.4	-	-	2	15
Total					3,166	16,993

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	286.50	-4.05	292.00	285.20	375	3,080
Dec	276.50	-4.05	-	-	20	1,016
Mar	271.50	-4.05	-	-	-	20
Total					375	4,116

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	530.4	-14.5	545.0	527.0	1,335	1,340
Sep	533.2	-14.3	551.5	528.0	12,423	42,387
Dec	537.5	-14.3	551.0	532.0	1,566	20,358
Jan	539.0	-14.2	-	-	-	26
Mar	539.8	-14.2	554.0	536.5	127	3,058
May	541.2	-14.2	562.5	562.5	117	1,426
Total					15,524	78,441

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	14.50	+0.13	14.67	14.36	35,223	111.2k
Sep	14.93	+0.14	15.07	14.77	23,069	74,153
Oct	15.29	+0.11	15.40	15.22	8,903	37,430
Nov	15.55	+0.12	15.72	15.60	3,014	23,533
Dec	15.93	+0.10	16.05	15.85	5,392	45,496
Jan	16.22	+0.18	16.22	16.18	450	26,993
Total					82,801	473,739

■ CRUDE OIL IPE ($/barrel)

	6pm price	Day's change	High	Low	Vol	Open int
Aug	13.59	+0.17	13.70	13.50	21,718	69,179
Sep	14.02	+0.10	14.15	13.99	13,523	44,243
Oct	14.36	+0.08	14.44	14.33	885	21,802
Nov	14.52	+0.01	14.65	14.52	1,713	13,407
Dec	14.72	-0.01	14.83	14.71	3,722	36,088
Jan	14.92	-0.01	14.95	14.91	2,433	17,784
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	39.70	+0.31	40.10	39.25	9,026	51,269
Sep	40.85	+0.16	41.40	40.60	3,405	25,033
Oct	42.20	+0.06	42.70	42.10	808	17,694
Nov	43.70	+0.11	44.25	43.50	2,216	14,879
Dec	45.00	+0.06	45.60	44.90	2,310	25,308
Jan	46.00	+0.06	46.55	45.95	672	21,112
Total					20,228	201,330

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	117.25	+1.50	119.00	117.00	7,221	30,282
Aug	122.00	+1.00	123.00	121.75	5,110	29,375
Sep	126.00	+1.00	127.25	126.00	2,416	14,090
Oct	130.25	+1.00	131.25	129.75	1,550	16,775
Nov	133.25	+1.00	133.75	132.75	716	11,307
Dec	136.50	+1.00	137.00	136.00	2,139	35,899
Total					22,080	171,874

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Aug	9.250	+0.010	9.250	9.220	180	1,180
Sep	9.250	+0.020	9.250	9.230	200	1,375
Total					1,385	20,335

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	2.425	-0.025	2.454	2.380	33,150	43,990
Sep	2.460	-0.011	2.478	2.405	6,881	24,934
Oct	2.480	-0.007	2.485	2.420	5,888	25,318
Nov	2.620	-0.007	2.630	2.570	2,411	16,682
Dec	2.770	-0.005	2.775	2.725	2,593	20,713
Jan	2.795	-0.006	2.810	2.765	1,935	20,774
Total					55,157	246,714

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	48.55	+0.40	49.00	48.15	14,955	45,065
Sep	48.80	+0.29	49.25	48.35	6,519	23,611
Oct	48.00	+0.17	48.30	48.00	1,694	7,961
Nov	48.00	+0.12	48.30	48.00	583	4,040
Dec	48.30	+0.17	48.50	48.30	1,116	5,063
Jan	48.00	-	48.20	48.15	119	1,811
Total					26,896	93,791

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	75.75	+1.50	75.75	74.25	32	158
Sep	70.90	+0.15	-	-	-	156
Nov	72.90	+0.15	73.00	72.25	137	3,625
Jan	74.90	+0.15	75.00	74.75	118	1,175
Mar	76.90	+0.15	77.00	76.75	63	506
Total					399	6,639

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	268.25	-5.25	273.00	268.00	3,933	5,002
Sep	278.50	-5.75	284.25	278.00	8,929	46,909
Dec	295.25	-5.00	300.25	294.50	8,755	47,133
Mar	307.75	-4.75	311.25	307.50	674	14,090
May	315.25	-2.75	319.00	315.00	24	1,696
Jul	326.25	-3.25	328.00	325.00	288	3,276
Total					22,583	118,106

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	237.00	-2.50	240.00	236.50	11,798	19,080
Sep	243.50	-3.25	246.75	243.00	17,808	88,938
Dec	248.25	-4.25	252.75	248.00	45,792	146,904
Mar	256.75	-4.00	260.75	256.50	1,798	19,662
May	262.50	-3.75	263.75	262.25	690	4,393
Jul	267.25	-3.75	269.00	268.00	584	9,824
Total					78,843	293,129

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	69.50	-	-	-	-	24
Nov	72.25	+0.25	72.00	72.00	11	1,019
Jan	74.25	+0.25	74.25	74.25	20	218
Mar	76.25	+0.25	-	-	-	46
May	77.75	+0.25	-	-	-	21
Total					22	1,328

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	639.25	-0.25	645.75	637.50	6,936	13,590
Aug	626.75	-2.50	633.00	626.00	11,522	32,601
Sep	610.25	-3.50	617.00	609.50	3,463	14,005
Nov	602.00	-5.50	609.50	601.00	35,408	69,811
Jan	608.75	-5.75	615.50	608.50	394	7,631
Mar	617.25	-5.25	622.00	617.00	499	4,116
Total					58,662	147,080

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	25.70	+0.27	25.83	25.35	9,586	9,666
Aug	25.82	+0.21	26.00	25.50	13,378	41,470
Sep	25.96	+0.18	26.15	25.64	2,814	23,644
Oct	26.05	+0.05	26.20	25.78	271	11,596
Dec	26.13	-0.07	26.38	25.86	5,140	37,066
Jan	26.20	-0.15	26.42	26.10	50	4,162
Total					31,829	130,145

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	168.6	-0.5	167.3	165.2	6,041	11,859
Aug	162.9	-1.3	164.2	162.0	9,885	28,706
Sep	160.4	-2.0	163.5	160.0	3,783	17,877
Oct	158.5	-2.2	160.8	157.8	1,392	13,426
Dec	160.2	-1.8	162.5	159.1	9,232	42,871
Jan	161.4	-1.9	163.5	161.0	353	5,470
Total					30,822	125,774

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	80.0	-	-	-	-	-
Mar	110.0	-	-	-	-	-
Apr	158.0	+1.5	160.0	155.0	128	1,694
May	168.0	+1.5	-	-	-	-
Jun	178.0	+1.5	-	-	-	-
Total					128	1,694

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	820	+24	820	810	49	511
Aug	835	+35	-	-	-	192
Oct	930	+20	930	915	63	452
Jan	990	+15	975	975	125	237
Apr	1025	+15	1010	1010	100	100
Total					545	1,732

	Close	Prev
BFI	844	848

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	476.00	-	-	-	-	573
Dec	496.00	-0.25	496.00	496.00	5	225
Total					5	873

FUTURES DATA
All futures data supplied by CMS.

Wool from Mallett & Co
Although the selling season ended on June 30, Australian sales are held for another couple of weeks and prices continued to ease at Sydney, Melbourne and Fremantle this week. The Australian Wool Exchange's national indicator ended the week down 11 cents at 594 cents. Of the 75,000 bales offered, about 21 per cent were withdrawn by growers dissatisfied with prices. These private withdrawals have been increasing as the market has declined and represent a significant factor in calculations of wool availability, especially as Australia's official stockpile is gradually liquidated.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1055	+27	1055	1040	505	1,095
Sep	1085	+24	1087	1069	3,303	39,172
Dec	1113	+24	1114	1103	1,699	41,689
Mar	1135	+21	1136	1126	1,779	37,357
May	1151	+21	1149	1142	120	13,832
Jul	1167	+21	1132	1127	24	6,269
Total					7,844	152,362

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1574	+20	1581	1575	14	55
Sep	1626	+20	1640	1615	4,761	26,336
Dec	1665	-	1673	1655	2,534	21,745
Mar	1701	+55	1707	1696	389	11,004
May	1725	+41	-	-	51	4,354
Jul	1750	+42	-	1720	10	1,593
Total					7,711	72,918

■ COCOA (ICCO) (SDR's/tonne)

Jul 1	Price	Prev. day
Daily	1282.57	1269.43

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1540	-5	1556	1538	838	1,501
Sep	1573	-7	1590	1565	3,683	19,058
Nov	1576	-7	1592	1569	631	5,854
Jan	1579	-9	1596	1574	48	1,208
Mar	1584	-6	1601	1585	133	589
May	1589	-6	1600	1600	25	200
Total					5,358	28,438

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	110.75	-1.70	112.00	110.05	91	638
Sep	109.35	-2.20	111.00	108.00	3,656	19,880
Dec	110.50	-	112.00	109.75	686	8,870
Mar	112.00	-0.60	113.00	111.50	114	3,305
May	113.00	-1.00	114.00	112.75	48	1,579
Jul	114.65	-0.25	115.25	114.75	18	945
Total					4,614	38,487

■ COFFEE (ICO) (US cents/pound)

Jul 1		Prev. day
Comp. daily	97.43	97.38
15 day average	101.18	101.87

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	255.1	+2.4	255.5	252.4	632	12,022
Oct	249.6	+1.8	249.7	247.5	635	17,138
Dec	249.9	+1.9	250.0	246.9	121	4,006
Mar	253.6	+2.1	254.0	253.3	76	5,640
May	255.6	+2.0	257.5	256.8	63	829
Aug	258.5	+2.0	261.5	261.5	-	1,036
Total					1,464	41,068

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	9.41	+0.13	9.70	9.30	100	4,976
Oct	8.58	+0.18	8.60	8.47	12,330	65,474
Mar	9.07	+0.12	9.13	9.03	3,200	35,764
May	9.17	+0.13	9.21	9.14	303	5,553
Jul	9.25	+0.13	9.23	9.12	227	4,496
Oct	9.30	+0.13	9.30	9.19	115	5,536
Total					16,078	152,805

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	81.50	-0.60	82.50	80.51	70	1,631
Oct	78.57	-0.54	79.80	77.55	2,356	7,364
Dec	76.93	-0.52	77.30	76.10	7,371	50,776
Mar	75.92	-0.27	75.80	75.20	646	12,249
May	75.95	-0.12	75.80	75.30	127	6,682
Total					10,604	87,808

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	104.45	+0.95	104.50	103.10	413	652
Sep	108.65	+1.05	108.80	107.30	1,345	15,402
Nov	111.80	+1.10	111.80	110.70	100	4,623
Jan	114.55	+1.10	114.50	113.95	15	2,268
Mar	117.30	+1.10	-	116.30	2	1,241
May	120.05	+1.10	119.50	119.50	1	663
Total					1,856	25,288

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jul 2	Jul 1	month ago	year ago
1549.6	1551.7	1587.4	1926.8

■ CRB Futures (Base: 1967 = 100)

Jul 1	Jun 30	month ago	year ago
215.34	214.63	-	-

■ GSCI Spot (Base: 1970 = 100)

Jul 1	Jun 30	month ago	year ago
154.96	155.20	157.11	185.58

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-2,350	to	833,575
Aluminium alloy	-20	to	55,380
Copper	+575	to	250,575
Lead	-25	to	104,800
Nickel	+1,068	to	60,214
Zinc	-1,150	to	394,750
Tin	+80	to	4,360

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	64.300	+0.100	64.600	64.125	10,263	43,753
Oct	64.000	-0.200	64.325	63.975	3,614	25,845
Dec	65.450	-0.300	65.800	65.350	1,462	9,855
Feb	66.950	-0.175	67.100	66.825	467	3,622
Apr	68.450	-0.300	68.700	68.450	192	1,838
Jun	67.400	-0.100	67.525	67.100	30	580
Total					16,028	85,832

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	57.600	+0.050	57.900	57.200	2,787	4,216
Aug	54.325	-0.250	54.850	54.100	7,403	11,690
Oct	49.625	-0.200	50.350	49.475	1,756	5,788
Dec	48.950	-0.150	49.450	48.900	563	4,876
Feb	50.500	-0.175	51.150	50.400	98	1,988
Apr	50.225	-0.075	50.500	50.100	12	420
Total					12,664	28,984

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	64.500	+1.075	65.500	63.650	1,039	1,553
Aug	60.625	+0.500	62.025	60.200	1,829	3,394
Feb	52.550	-0.450	54.500	51.950	20	69
Total					2,888	5,016

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1250	48	11	67	23
1300	20	33	57	43
1350	6	69	35	69
■ COPPER (Grade A) LME	Aug	Nov	Aug	Nov
1500	116	11	153	35
1600	52	44	94	73
1700	16	108	32	130
■ COFFEE LIFFE	Sep	Nov	Sep	Nov
1600	49	81	76	105
1650	34	62	111	136
1700	26	48	153	172
■ COCOA LIFFE	Sep	Dec	Sep	Dec
1050	51	86	16	23
1075	37	73	27	35
1100	26	61	41	48
■ BRENT CRUDE IPE	Aug	Sep	Aug	Sep
1300	-	-	12	28
1350	-	-	26	-
1400	19	-	-	-

LONDON SPOT MARKETS

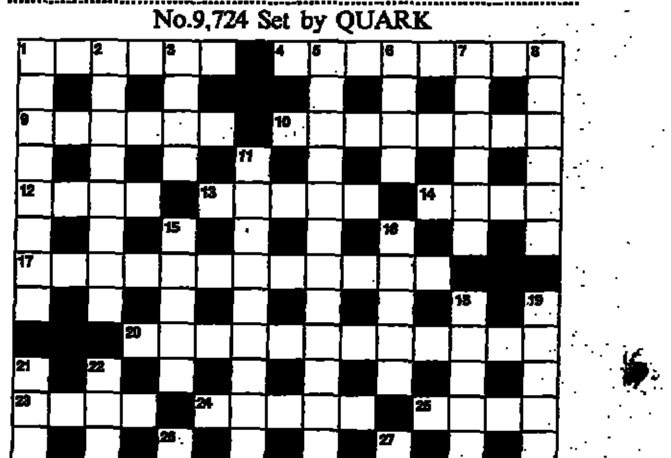
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$12.00-2.10x	+0.275
Brent Blend (dated)	$12.03-2.07	+0.195
Brent Blend (Aug)	$13.68-3.72	+0.285
W.T.I.	$14.50-4.52x	+0.23
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$163-165	+3
Gas Oil	$116-117	+2
Heavy Fuel Oil	$63-65	
Naphtha	$122-124	+3
Jet fuel	$126-127	+1
Diesel	$122-123	+1
■ NATURAL GAS (Pence/therm)		
Bacton (Jul)	9.20-9.28	
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)‡	$293.75	-1.90
Silver (per troy oz)‡	544.50c	-9.00
Platinum (per troy oz.)	$385.00	+1.00
Palladium (per troy oz.)	$295.00	+2.00
Copper	79.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	23.27r	
Tin (New York)	268.5	-4.0
Cattle (live weight)	89.95p	-1.76*
Sheep (live weight)	112.10p	-4.75*
Pigs (live weight)†	60.13	-3.60*
Lon. day sugar (raw)	$209.30	-1.10
Lon. day sugar (wte)	$258.00	-0.90
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£105.00	
Wheat (US Dark North)	Unq	
Rubber (Aug)♥	45.25p	
Rubber (Sep)♥	45.25p	
Rubber (KL RSS No1)	261.00m	+7.50
Coconut Oil (Phil)§	640.0y	-25.0
Palm Oil (Malay.)§	605.00	
Copra (Phil)§	$400.0y	
Soyabeans (US)	170.0y	
Cotton Outlook 'A' Index	70.40	
Wooltops (64s Super)	320p	-5

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Aug/Sep. x Aug. ♥London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 1,027 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,724 Set by QUARK



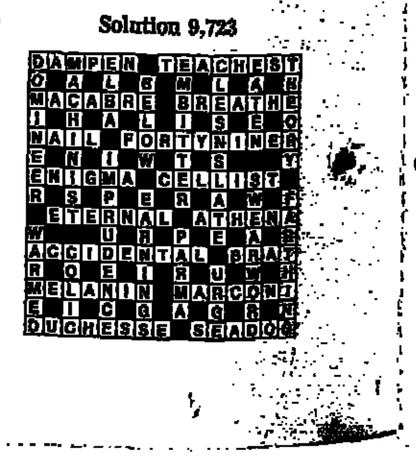
ACROSS

1 No longer lengths of pieces of copper (6)
4 One holding one's drink in the main? (8)
9 Delicious drink that could produce trance? (6)
10 Treated after accident, the players seemed older (8)
12 Control device with straight edge (4)
13 Forward right in attack (5)
14 An idea for the plot (4)
17 It's a bit stiff presenting one's name, etc (8,4)
20 Source unearthed about the AA in working (12)
23 Butter up? (4)
24 Sailor's governor abroad in the community (5)
25 Ice cream firm to the north east (4)
28 A snag noticed in Tom's gossip (8)
29 Free in order to improve (6)
30 Noel made fizzy drink (8)
31 County some visited or settled in (6)

DOWN

1 Plot continued above most of stream (8)
2 Bet on hound and see the adverse reaction (8)
3 The side to flow copiously, we hear (4)
5 Flat tops? (7,5)
6 Paradoxically, could be evens (4)
7 Bits of grime and garbage in river worry (6)
8 On a horse in part of Yorkshire once (6)
11 Domestic item that's pressing to the committee (7,5)
15 Sharpen the drinks up (5)
16 Stigmatise a particular kind (5)
18 Vigorous drilling ground basic ore (8)
19 Sticking notice here on part of bible (8)
21 Part of one's brief is calculating, involving finance (6)
22 The man's one sign of hesitation shows boredom (6)
26 Image seen in refashioned coin (4)
27 Drug not popular in one who's idolised (4)

Solution 9,723



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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA
(FSA RECOGNISED)

BERMUDA
(REGULATED)(**)

GUERNSEY
(FSA RECOGNISED)

GUERNSEY
(REGULATED)(**)

IRELAND
(FSA RECOGNISED)

IRELAND
(REGULATED)(**)

ISLE OF MAN
(FSA RECOGNISED)

ISLE OF MAN
(REGULATED)(**)

JERSEY
(FSA RECOGNISED)

JERSEY
(REGULATED)(**)

LUXEMBOURG
(FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Bank Von Ernst & Cie AG

[illegible]

For Banque Indosuez see CPGA Agricole Indosuez

Barclays Diversified Portfolio (z)

[illegible]

Barclays Inv Funds (Luxembourg)

[illegible]

CMI Asset Management (Luxembourg) SA

[illegible]

Frontrunner I - Contd.

[illegible]

GT Global

[illegible]

HSBC Investment Funds Luxembourg SA (u)

[illegible]

Henderson Management SA (u)

[illegible]

Morgan Stanley Sicav - Contd.

[illegible]

ACM Offshore Funds - Contd.

[illegible]

Credit Suisse Asset Mgmt Funds - Contd.

[illegible]

Daiwa Japan Small Equity Fd (u)

[illegible]

Dicam Worldwide Investment Fund

[illegible]

The Dragon Fund Sicav

[illegible]

Dresdner RCM European Bond Fund

[illegible]

Merrill Lynch Asset Management - Contd.

[illegible]

UBS AG - Contd.

[illegible]

OFFSHORE INSURANCES

[illegible]

Friends Provident International

[illegible]

General International Limited

[illegible]

Hansard Europe Limited

[illegible]

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

[illegible]

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Royal & Sun Alliance Intl Financial Services

Atlantis Fund Management (Guernsey) Ltd

Royal Skandia Life Assurance Ltd (z)

Julius Baer Bank & Trust Co Ltd

Banco do Brasil–BB Fund

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Continued

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

HOUSEHOLD GOODS & TEXT - Continued

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Continued

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Continued

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Continued

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend Covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes.
- ‡ Interim since increased or resumed
- § Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 21.4(a) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- , Indicated dividend yield after pending scrip and/or rights issue
- ♠ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♣ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue
n Rights issue pending
q Earnings based on preliminary figures
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1998-99
H Assumed yield after pending scrip and/or rights issue
[illegible] Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings
M Yield based on prospectus or other official estimates for 1997-98
[illegible] Dividend in part or whole or part as a FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates
W Pro forma figures
Z Dividend yield to date

Abbreviations:
, ex dividend
, ex scrip issue
, ex rights
, ex all
, ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion.

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You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the internet at http://www.icbinc.com (?). All reports will be sent the next working day, subject to availability.

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LONDON STOCK EXCHANGE

FTSE 100 backs off after approaching 6,000

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The London market took the rally that began with the start of the third quarter a stage further yesterday.

At the end of a day featuring a sharp increase in turnover ascribed by dealers to buy-side programme trade activity plus a couple of big placings of stock, the FTSE 100 index finished comfortably ahead, up 40.3 at 5,960.2.

But the closing level was well below the session high, which saw the index climb to within four points of 6,000 amid the morning burst of enthusiasm created by the US interest rate and Japanese bank news.

The FTSE 250 also performed strongly, closing 23.4 up at 5,558.3, having hit a session high of 5,565.5. The FTSE SmallCap maintained its recent poor run and was only 1.4 ahead at 2,601.7 by the close.

Some marketmakers continue to see the market as overbought: "a bubble waiting to burst" as one put it, but he conceded that more takeover activity would provide a prop for the market overall. Fund managers, too, have tended to adopt a cautious outlook for the UK market.

"The outlook for the UK stock market is clouded by worries about the possibility that profits will be squeezed by rising wage costs and slowing sales growth," said Russell Hogan, investment director at Scottish Equitable Asset Management.

"For now we maintain a neutral view of the UK market but we're watching profit trends carefully for signs that a more cautious stance is warranted," he added.

Sharp gains across the leaders and second-liners reflected general relief across most European markets that the US Federal Reserve's open market committee had decided to leave interest rates unchanged.

And there was also an element of relief that Japan duly announced the expected package of measures designed to put the Japanese financial system on a sound footing, via its bridge bank.

There was more encouraging news, too, for global markets with the release of the US employment report for June which was in line with forecasts, showing an expansion of 205,000 jobs over the month compared with a consensus forecast of 200,000.

Other details included a smaller-than-expected increase in average hourly earnings, which rose 0.1 per cent against forecasts of a rise of 0.3 per cent.

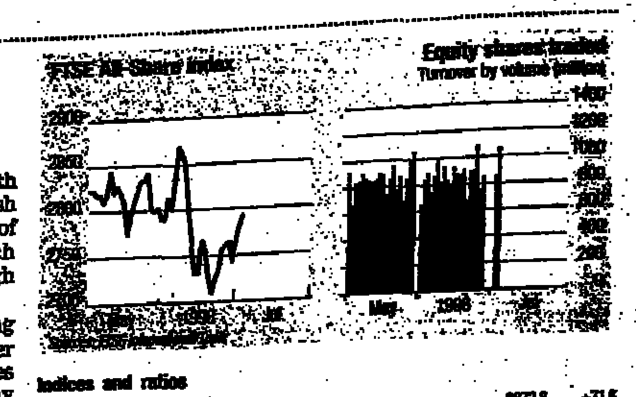
Although Wall Street drifted easier during early trading, dealers said there was no real downside pressure from the US data.

"It's much more likely that Wall Street is winding down for the long weekend break," noted one.

On the domestic front, there was overall relief with the Confederation of British Industry's June survey of distributive sales which showed a slowing of high street sales during June.

While seen as helping reduce the risk of another increase in UK interest rates after next week's two-day meeting of the Bank of England's monetary policy committee, the CBI report brought downside pressure on the retailing sector. But the telecoms arena was ablaze with a spate of excellent new subscriber news.

Turnover in equities at 6pm reached 1.07bn shares.



Indices and ratios

FTSE 100	5960.2	+40.3	FT 30	3872.8	+31.6
FTSE 250	5558.3	+23.4	FTSE Non-Fins p/e	23.35	23.19
FTSE 350	2887.3	+18.0	FTSE 100 Fut Sep	6050.0	+48.0
FTSE All-Share	2793.85	+16.64	10 yr Gilt yield	5.81	5.85
FTSE All-Share yield	2.81	2.83	Long gilt/equity yld ratio	2.04	2.04

Best performing sectors

1. Telecommunications —— +3.4
2. Electronic & Elec Equip —— +1.8
3. Diversified Industrials —— +1.8
4. Engineering —— +1.7
5. Gas Distribution —— +1.6

Worst performing sectors

1. Distributors —— -0.9
2. Breweries: Pubs & Rest —— -0.7
3. Extractive Industries —— -0.5
4. Banks: Retail —— -0.5
5. Property —— -0.5

Orange tastes success

COMPANIES REPORT

By Joel Kibazo, Peter John and Martin Brice

Telecoms stocks moved sharply higher following bumper subscription figures from Orange, one of the market's star performers this year.

The company said it had attracted a net 117,000 new customers in the first quarter of this year and subscriber growth was 50 per cent higher than the same period a year ago. The shares climbed 33 to a new high of 680p.

Orange, which began this year at a lowly 264p, broke through 600p last week.

A clutch of brokers' recommendations has powered the stock for much of the last month with sporadic attempts at profit-taking failing to dent the strong demand for the shares.

Vodafone Group, which published favourable subscription figures on Wednesday, was the busiest Footsie trade as brokers upgraded profit expectations. HSBC raised its target price for the stock from 920p to £10.40. The shares rose 23 to 819p, after trade of 24m.

Cable & Wireless moved to the top of the Footsie with a rise of 43 to 790p. The group holds 50 per cent stake of *One2One, which has also* released strong sales data.

Securicor, 40 per cent owner of mobile operator Cellnet, gained 21 to 511p. British Telecommunications, which owns the remaining 60 per cent, ended 20 up at 765p. The company is to cut the price of line calls to Cellnet and Vodafone *mobile phones after* agreeing a deal with the two rivals.

Colt Telecom, favoured by Dresdner Kleinwort Benson, rose 25 to £26.70.

BG, the pipeline and international arm of the former British Gas monopoly, was a strong performer in early *trading and a very heavily* traded Footsie stock.

Investors responded to a big push from BT Alex Brown, which has issued a heavyweight research document claiming there is significant value to be unlocked in the company.

The principal argument is that many sections of the *company, particularly the 12* local distribution zones of the TransCo pipeline business, could be sold or demerged.

The broker says contracting out certain aspects of the business in similar fashion to Railtrack could add 15p to the brokers 387p asset value and a disposal could add 30p. A fortnight ago, BG said it was considering proposals for selling parts of its storage business, worth up to £1bn.

BT Alex Brown also *believes successful drilling* in the Caspian could add between 10p and 48p to the asset value. The shares moved forward 7 to 363p in volume of 32m following a 9½p rise on Wednesday.

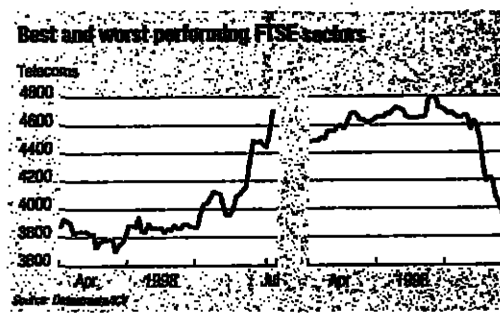
Charter, the international engineering group, announced the end of a link with South Africa, which goes back 109 years. Its listing in Johannesburg is to end on July 24.

The shares, which have risen from their lows in recent weeks in the face of sustained buying from North American value funds who now hold more than 20 per cent, gained 9¼ to 624½p.

Selected profit-taking took Billiton, the mining group, down 5 to 132p, the worst performance in the Footsie. The shares rose sharply on Wednesday following a positive trading update.

Oil group Cairn Energy gained 4 to 278½p with help from Robert Fleming Securities, which believes that upside potential covers a wide range with possible gas exports to India providing scope for 557p a share.

British Borneo moved forward 10 to 309p in response *to an upgrade from Merrill* Lynch. The broker raised its recommendation to "buy" from "accumulate", saying last month's share price falls looked overdone. Merrill expects a positive result from the Sullven appraisal well, currently drilling in the Shetland Islands.



Media ahead

Media group Taylor Nelson Sofres was heavily traded as Cazenove placed a 10.62 per cent stake previously owned by Fimalac of France. Fimalac owned Sofres from 1992 until it merged with Taylor last year. Taylor was up 9 at 131p in volume of 56m shares.

Johnston Press, the newspaper group, moved forward 8½ to 227½p after Merrill Lynch highlighted its "accumulate" rating on the stock. The broker pinpoints continuing advertising growth.

Several of the leading retailers came under pressure after the latest CBI distributive trades survey revealed a slowing in retail sales in June. Marks & Spencer eased 3 to 548p, while Kingfisher lost 6 to 959p. Sears fell 2¼ to 54¼p.

However electrical goods retailer Dixons Group, which announced the purchase of the retail assets of regional electricity firm Seeboard earlier this week, was in demand yesterday. The shares improved 13½ to 504p.

Sausage skin maker Devro lost another 36 to 331½p following its profits warning on Wednesday.

Appetite for bus stocks was whetted by the announcement from Metroline that it was to expand in north London by a £42m acquisition. The shares rose 30½ to 305p. It will raise £21.5m by a 2-for-5 rights at 250p a share.

The big bus companies also rose, with Stagecoach up 46 to £13.24 and National Express rising 12½ to 988½p.

FI Group was the best performer in the FTSE 250. It gained 117½ to £16.52½. Dresdner Kleinwort Benson has set a price target of £19.40.

London Bridge Software rose 145 to £13 as the company briefed analysts after the recent US acquisition.

Sema was the second-busiest stock in the market, with 39m traded as about one-third of the stake held by Paribas was placed with institutions by HSBC and Paribas. The stock rose 5 to 725p. The stake was placed at 710p, and Paribas retains a 14 per cent holding.

A bid approach to Banner Homes helped the shares shrug off growing interest rate worries.

The company, which has outperformed the FTSE All-Share by about 55 per cent in the past 12 months, rose 17 to 156p.

Other well-known house-builders were among the worst performers in the FTSE 250. Bryant lost 2½ to 108p, Bellway 5 to 296½p and Barratt 4 to 257½p.

Wolseley rose 8 to 363p. Mercury Asset Management, which has been a strong buyer of the stock in recent months, now has a 10 per cent stake.

FT 30 INDEX

	Jul 2	Jul 1	Jun 30	Jun 29	Jun 26	Yr ago	*High	*Low
FT 30	3872.8	3841.2	3790.2	3816.6	3819.2	2761.4	3920.3	3841.2
Ord. div. yield	2.87	2.90	2.94	2.92	2.92	4.04	4.22	2.79
P/E ratio net	23.96	23.75	23.39	23.60	23.61	16.31	25.41	15.80
P/E ratio nil	23.75	23.54	23.18	23.39	23.40	16.22	25.19	15.71

FT 30 since compilation: high 3920.3 11/05/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3841.2	3876.5	3891.6	3891.4	3877.8	3866.0	3878.7	3887.6	3883.7	3895.4	3841.2

STOCK MARKET TRADING DATA

	Jul 2	Jul 1	Jun 30	Jun 29	Jun 26	Yr ago
SEAQ bargains	63,953	58,836	61,894	64,464	55,976	27,742
Equity turnover (£m)†	-	-	-	2639.3	2531.1	1660.9
Equity bargains†	-	-	-	52,546	45,941	35,178
Shares traded (m)†	-	-	-	737.3	727.3	624.4
Total market bargains‡	-	58,068	61,157	68,761	57,456	-
Total turnover (£m)‡	-	3912.6	3372.3	3685.4	3707.5	-
Total shrs traded (m)‡	*1068.5	907.6	999.4	944.2	960.1	-
Tradepoint turnover (£m)	15.1	22.7	22.1	29.5	41.3	5.0
Tradepoint shrs traded	6.8	8.4	8.1	7.4	10.9	0.8

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	842	Total Highs	53	Total contracts	44,993
Total Falls	626	Total Lows	75	Calls	24,038
Same	1,516			Puts	20,955

July 2 *Data based on Equity shares listed on the London Share Service.

FT/S&P ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT/S&P Actuaries World Indices as at JUNE 30, 1998 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter. The percentage change for each US dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS (number of lines of stock)	Market cap. as at 30/06/98 (US$m)	% of World Index	Market cap. as at 31/03/98 (US$m)	% of World Index	% chge in $ Index since 31/12/97
Australia (72)	184176.3	1.02	205077.9	1.16	-5.02
Austria (23)	26987.5	0.15	25351.4	0.14	21.14
Belgium (24)	171738.9	0.95	128236.5	0.72	45.77
Brazil (26)	87265.1	0.48	97505.6	0.55	-11.52
Canada (120)	411125.5	2.28	429278.2	2.42	9.37
Denmark (34)	71488.2	0.40	68614.6	0.39	11.82
Finland (28)	81829.2	0.45	66878.4	0.38	60.73
France (79)	703191.6	3.89	628027.7	3.54	36.67
Germany (58)	819361.9	4.54	720437.8	4.06	33.07
Greece (37)	31302.9	0.17	-	-	-
Hong Kong, China (66)	163890.5	0.91	232374.4	1.31	-30.89
Indonesia (27)	4382.8	0.02	8634.4	0.05	-55.26
Ireland (16)	43778.1	0.24	42346.9	0.24	31.35
Italy (54)	358476.7	1.98	366709.7	2.07	34.50
Japan (480)	1764949.8	9.77	1858160.5	10.48	-3.03
Malaysia (106)	31991.5	0.18	59382.7	0.33	-28.64
Mexico (29)	65085.6	0.36	81893.4	0.46	-24.90
Netherlands (20)	461355.8	2.55	419871.6	2.37	26.16
New Zealand (14)	15181.7	0.08	18809.4	0.11	-22.77
Norway (38)	33139.1	0.18	35922.7	0.20	-5.70
Philippines (22)	6326.4	0.04	8847.9	0.05	-7.95
Portugal (18)	36005.2	0.20	-	-	-
Singapore (42)	25727.4	0.14	40381.4	0.23	-34.93
South Africa (40)	82810.5	0.46	110383.0	0.62	-17.51
Spain (31)	251647.9	1.39	245649.8	1.38	40.72
Sweden (49)	260058.5	1.44	246382.6	1.39	25.15
Switzerland (28)	576771.7	3.19	556578.8	3.14	19.70
Thailand (38)	2756.8	0.02	4486.8	0.03	-39.56
United Kingdom (205)	1887468.8	10.45	1931113.9	10.89	15.01
USA (630)	9405659.5	52.06	9099740.2	51.30	16.97
Americas (805)	9969135.6	55.18	9708417.4	54.74	15.90
Europe (742)	5814601.9	32.19	5482102.5	30.91	24.79
Eurobloc (351)	2954372.7	16.35	-	-	-
Nordic (149)	446515.0	2.47	417778.2	2.36	24.84
Pacific Basin (867)	2199383.1	12.17	2436155.4	13.73	-7.43
Euro-Pacific (1609)	8013985.1	44.36	7918257.8	44.64	13.84
North America (750)	9816784.9	54.34	9529918.3	53.72	16.63
Europe Ex. UK (537)	3927133.1	21.74	3550988.5	20.02	30.22
Europe Ex. Eurobloc (391)	2860229.2	15.83	-	-	-
Europe Ex. UK Ex. Eurobloc (186)	972760.4	5.38	-	-	-
Pacific Ex. Japan (387)	434433.3	2.40	577994.9	3.26	-21.88
World Ex. Eurobloc (2103)	15111558.5	83.65	-	-	-
World Ex. US (1824)	8660271.7	47.94	8637318.1	48.70	12.46
World Ex. UK (2249)	16178462.4	89.55	15805944.3	89.11	14.74
World Ex. Japan (1974)	16300981.4	90.23	15878897.7	89.52	17.11
The World Index (2454)	18065931.2	100.00	17737058.3	100.00	14.77

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jul 2	Day's chge%	Jul 1	Jun 30	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5960.2	+0.7	5919.9	5832.5	4831.7	2.75	2.32	2.03	22.38	80.84	2609.18
FTSE 250	5558.3	+0.4	5534.9	5503.8	4475.2	3.00	2.54	1.96	21.33	76.90	2386.70
FTSE 250 ex IT	5608.3	+0.4	5580.7	5550.9	4478.5	3.09	2.62	2.01	20.12	79.50	2415.27
FTSE 350	2867.3	+0.6	2849.3	2812.0	2320.9	2.80	2.36	2.02	22.18	39.00	2585.05
FTSE 350 ex IT	2871.9	+0.6	2853.7	2816.0	2321.3	2.81	2.37	2.03	21.95	39.24	1317.74
FTSE 350 Higher Yield	2763.6	+0.6	2748.2	2713.8	2274.8	3.82	3.24	1.92	17.08	49.98	2114.03
FTSE 350 Lower Yield	2972.2	+0.7	2951.7	2911.8	2374.2	1.98	1.66	2.17	29.15	30.19	2160.01
FTSE SmallCap	2601.67	+0.1	2600.33	2606.44	2227.19	3.05	2.48	1.88	21.72	32.12	2265.41
FTSE SmallCap ex IT	2593.88	—	2593.88	2604.81	2199.39	3.27	2.65	1.98	19.34	33.74	2281.74
FTSE All-Share	2793.85	+0.6	2777.21	2743.46	2269.36	2.81	2.37	2.01	22.16	37.76	2536.41
FTSE All-Share ex IT	2800.93	+0.6	2784.15	2749.87	2269.73	2.83	2.39	2.02	21.80	38.16	1308.25

■ *FTSE* Actuaries Industry Sectors

	Jul 2	Day's chge%	Jul 1	Jun 30	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(22)	4586.02	+1.1	4535.47	4460.87	4699.79	3.31	2.87	1.72	21.92	74.43	2109.81
12 Extractive Industries(6)	2717.92	-0.5	2731.89	2612.59	4362.56	5.12	4.71	2.06	11.84	76.82	857.83
15 Oil, Integrated(4)	5226.79	+1.3	5158.60	5082.95	4914.48	3.22	2.76	1.64	23.61	79.87	2473.22
16 Oil Exploration & Prod(12)	3000.36	+1.0	2971.22	2973.72	3855.46	1.90	1.57	1.98	33.28	38.41	1884.90
20 GEN INDUSTRIALS(218)	2161.28	+1.1	2138.79	2116.44	1896.16	3.35	2.95	2.27	16.47	33.04	1271.35
21 Construction(38)	1510.99	-0.4	1516.55	1526.84	1383.09	3.26	2.64	2.66	14.43	21.31	1349.35
22 Building Matls & Merchs(26)	1779.90	—	1779.07	1776.58	1821.22	4.13	3.60	2.04	14.85	32.81	970.71
23 Chemicals(25)	2687.40	+0.4	2677.46	2639.94	2375.40	3.52	3.28	1.71	20.76	46.47	1377.54
24 Diversified Industrials(7)	1351.16	+1.8	1327.81	1323.33	1306.60	3.92	3.70	2.27	14.06	20.65	830.33
25 Electronic & Elect Equip(26)	2828.82	+1.8	2777.35	2741.61	2124.22	2.70	2.19	1.87	24.83	22.67	1558.40
26 Engineering(64)	2841.10	+1.7	2792.34	2765.06	2449.96	3.34	2.97	2.47	15.15	48.61	1839.10
27 Engineering, Vehicles(10)	4031.05	+1.0	3990.94	3848.99	2764.32	2.21	2.02	3.35	16.87	43.88	2222.43
28 Paper, Pckg & Printing(22)	2220.93	+0.6	2207.98	2210.36	1989.83	4.01	3.59	2.44	12.79	39.43	1003.85
30 CONSUMER GOODS(91)	5932.38	+0.5	5904.76	5838.88	4723.73	2.51	2.19	1.79	27.77	77.17	2348.72
32 Alcoholic Beverages(6)	4016.92	+0.7	3989.45	3938.32	3427.28	3.40	2.87	1.60	23.02	67.92	1574.11
33 Food Producers(25)	4214.06	+1.2	4164.96	4107.89	3031.78	2.49	2.11	2.07	24.32	56.91	2046.83
34 Household Goods & Texts(24)	3261.44	+0.4	3247.27	3238.45	3148.77	3.34	2.98	2.04	18.36	53.57	1377.41
36 Health Care(13)	2489.10	+0.4	2477.97	2465.90	2298.22	2.01	1.85	2.29	27.22	30.39	1595.43
37 Pharmaceuticals(20)	9956.67	+0.1	9945.74	9855.66	7694.57	1.85	1.63	1.70	39.86	85.15	3561.22
38 Tobacco(3)	5155.17	+0.8	5116.47	5009.99	4606.50	4.99	4.41	1.75	14.28	130.10	1442.88
40 SERVICES(278)	3674.78	+0.9	3640.42	3606.00	2616.77	2.34	1.91	1.99	26.82	34.61	2022.66
41 Distributors(28)	2471.18	-0.9	2493.34	2521.16	2685.84	3.94	3.25	1.96	16.21	46.87	974.41
42 Leisure & Hotels(27)	3827.60	+0.2	3821.10	3843.84	3184.09	2.51	2.04	2.58	19.45	60.11	2172.54
43 Media(41)	4686.88	+0.7	4653.28	4634.81	4040.23	2.21	1.86	2.27	24.93	50.77	1775.94
44 Retailers, Food(13)	3212.78	+0.4	3199.67	3189.74	2252.97	2.81	2.25	2.11	21.10	45.04	2194.60
45 Retailers, General(46)	2297.06	—	2296.99	2274.45	2021.45	3.32	2.88	2.02	18.68	37.44	1405.01
46 Telecommunications(10)	4700.72	+3.4	4544.69	4445.07	2498.67	1.86	1.54	1.52	44.36	7.79	2287.70
47 Breweries, Pubs & Rest.(24)	4318.25	-0.7	4349.71	4346.01	3224.17	2.81	2.26	2.37	18.81	46.36	2206.84
48 Support Services(54)	5273.67	-0.3	5290.90	5235.34	3043.72	1.13	0.96	2.51	44.02	27.91	3475.68
49 Transport(24)	3909.52	+0.3	3896.26	3860.48	2855.83	2.72	2.22	1.51	30.38	47.26	1746.43
60 UTILITIES(22)	3951.22	+0.7	3922.78	3885.13	3113.62	4.08	3.34	1.73	17.69	78.49	1898.97
62 Electricity(6)	4352.81	+0.7	4322.02	4281.26	3420.79	4.63	3.70	1.90	14.22	94.34	2563.01
64 Gas Distribution(2)	3110.16	+1.6	3060.92	2997.24	2146.54	2.09	1.67	‡	‡	26.03	1797.58
68 Water(12)	3444.40	—	3445.73	3445.94	2837.80	4.95	4.25	2.32	10.90	95.28	2145.25
69 NON-FINANCIALS(632)	2861.32	+0.8	2837.39	2807.66	2284.15	2.77	2.35	1.93	23.35	36.40	2333.00
70 FINANCIALS(108)	5265.34	-0.1	5273.18	5178.11	4465.57	3.09	2.50	2.29	18.01	86.81	2438.28
71 Banks, Retail(12)	7580.03	-0.6	7624.71	7459.47	6853.76	3.11	2.49	2.33	17.25	126.41	2639.82
73 Insurance(16)	2533.39	+0.9	2509.76	2472.55	1750.62	3.30	3.11	2.22	17.06	47.18	2094.75
74 Life Assurance(6)	6836.34	+0.3	6813.38	6701.33	5014.53	2.76	2.57	2.60	17.51	106.92	3054.20
77 Other Financial(26)	4880.07	+0.7	4845.49	4583.45	3262.36	2.35	1.92	2.22	23.95	66.67	2857.55
79 Property(46)	2133.85	-0.5	2143.44	2146.27	2034.96	3.05	2.54	1.66	24.70	32.06	1405.81
80 INVESTMENT TRUSTS(114)	3928.07	+0.5	3908.81	3882.64	3444.42	2.06	1.67	1.19	51.11	36.81	1433.23
89 FTSE All-Share(854)	2793.85	+0.6	2777.21	2743.46	2269.36	2.81	2.37	2.01	22.16	37.76	2536.41
105 FTSE All-Share ex IT(740)	2800.93	+0.6	2784.15	2749.87	2269.73	2.83	2.39	2.02	21.80	38.16	1308.25
Information Technology	1774.33	+0.6	1764.47	1765.56	-	0.48	0.38	3.53	74.00	3.71	1778.98
FTSE Fledgling	1426.89	+0.1	1426.07	1427.86	1285.75	3.11	2.52	1.41	28.45	18.04	1583.43
FTSE Fledgling ex IT	1453.08	—	1452.41	1456.06	1257.29	3.42	2.78	1.49	24.61	20.22	1619.22
FTSE AIM	1094.1	+0.1	1093.3	1100.2	1054.5	1.23	0.98	0.36	80.00†	5.93	1012.72

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	-	5969.1	5989.7	5986.5	5964.5	5949.4	5959.6	5976.1	5967.1	5998.7	5932.2
FTSE 250	-	5546.4	5558.7	5563.4	5561.7	5560.2	5561.3	5564.6	5561.2	5565.5	5540.1
FTSE 350	-	2869.7	2879.0	2878.2	2869.4	2863.3	2867.4	2874.2	2870.3	2881.8	2854.6
FTSE SmallCap	2601.05	2601.37	2602.14	2602.76	2603.93	2603.61	2602.73	2602.23	2601.70	2603.94	2600.30
FTSE All-Share	-	2796.01	2804.54	2803.84	2795.66	2790.27	2793.95	2800.14	2796.61	2807.19	2782.12

Time of FTSE 100 Day's high: 10:33:30 Day's low: 8:28:00. FTSE 100 1998 High: 6105.8 (08/04/98) Low: 5068.7 (12/01/98)
Time of FTSE All-Share Day's high: 10:34:00 Day's low: 8:34:00. FTSE All-Share 1998 High: 2899.10 (08/04/98) Low: 2389.32 (12/01/98)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Name changes: CRT now Spring (FTSE 250); Deletions: Trust Motor (FTSE Fledgling). Quarterly Classification changes please refer to FTSE Int'l website www.FTSE.com

FTSE INTERNATIONAL

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	6015.0	6047.0	+46.0	6082.0	5999.0	21419	159734
Dec	6137.0	6143.0	+48.0	6137.0	6102.0	856	983
Mar		6215.0	+48.0			0	630

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

Sep		5880.0	+25.0			0	5895

■ FTSE 100 INDEX OPTION (LIFFE) (*5877) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

FTSE GOLD MINES INDEX

	Jul 2	% chg on day	Jul 1	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index(27)	[illegible]							
■ Regional Indices								
Africa (10)	1018.01	+3.8	988.81	1424.9	[illegible]			
Australasia (7)	1171.73	+4.6	1119.79	1634.9	[illegible]			
North America (10)	967.11	-0.4	981.12	1375.6	[illegible]			

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TRADING VOLUME

■ Major Stocks yesterday

[illegible]

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هكذا من الاصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 2 / Sch)

BELGIUM/LUXEMBOURG (Jul 2 / Frs.)

CZECH REP (Jul 2 / Koruna)

DENMARK (Jul 2 / Kr)

FINLAND (Jul 2 / Mkk)

FRANCE (Jul 2 / Frs.)

GERMANY (Jul 2 / Dm.)

GREECE (Jul 2 / Drachma)

ITALY (Jul 2 / Lira)

NORWAY (Jul 2 / Kroner)

POLAND (Jul 2 / Zloty)

PORTUGAL (Jul 2 / Escudo)

SPAIN (Jul 2 / Pta.)

NETHERLANDS (Jul 2 / Fls.)

SWEDEN (Jul 2 / Kronor)

SWITZERLAND (Jul 2 / Frs.)

TURKEY (Jul 2 / Tk Lira)

PACIFIC

JAPAN (Jul 2 / Yen)

HONG KONG (Jul 2 / H.K.$)

INDONESIA (Jul 2 / Rupiah)

MALAYSIA (Jul 2 / MYR)

NEW ZEALAND (Jul 2 / NZ $)

SINGAPORE (Jul 2 / S$)

AUSTRALIA (Jul 2 / Aus$)

SOUTH KOREA (Jul 2 / Won)

TAIWAN (Jul 2 / TW $)

THAILAND (Jul 2 / Baht)

AMERICAS

CANADA

TORONTO (Jul 2 / Can $)
4 pm close

MONTREAL (Jul 2 / Can $)
4 pm close

MEXICO (Jul 2 / Peso)
12:30 pm

AFRICA

SOUTH AFRICA (Jul 2 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JULY 1 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JUNE 30 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	192.41	1.2	171.92	168.74	181.90	207.18	1.5	3.83	190.08	168.87	166.74	178.35	204.14	243.87	173.27	241.57
Austria (23)	229.01	0.0	204.63	200.84	216.51	218.35	0.8	1.57	229.01	203.46	200.91	214.90	214.75	259.73	181.60	196.74
Belgium (24)	374.98	1.1	335.06	328.85	354.51	346.82	1.9	1.95	370.95	329.60	325.49	348.10	340.40	374.98	234.33	253.78
Brazil (26)	215.21	2.0	192.30	188.73	203.46	456.24	2.0	2.23	210.98	187.48	185.09	197.98	449.16	322.44	184.94	304.32
Canada (120)	232.90	0.3	208.11	204.25	220.18	247.37	-0.0	1.63	232.30	206.40	203.79	217.89	247.37	248.78	199.10	208.45
Denmark (34)	496.46	-0.8	443.61	435.39	469.36	467.78	0.1	1.38	499.41	443.73	438.12	468.64	467.11	521.61	376.32	391.18
Finland (28)	446.91	-0.2	399.33	391.93	422.51	518.38	0.6	1.77	447.88	397.75	392.72	420.08	515.45	451.12	267.59	286.04
France (79)	327.73	0.2	292.85	287.42	309.84	313.24	1.0	1.88	327.08	290.61	286.94	308.93	310.20	335.75	217.48	237.50
Germany (58)	303.66	-0.5	271.34	266.31	287.09	287.09	0.2	1.16	305.29	271.26	267.88	286.49	286.49	307.24	204.88	218.68
Greece (37)	274.44	1.4	245.23	240.69	259.48	602.07	1.9	1.58	270.80	240.61	237.56	254.11	590.67	307.94	260.24	–
Hong Kong, China (86)	247.65	0.1	221.28	217.18	234.13	248.29	0.1	6.40	247.44	219.85	217.07	232.20	248.16	580.09	218.78	539.30
Indonesia (27)	31.10	5.2	27.79	27.27	29.40	279.47	4.1	2.43	29.56	26.27	25.93	27.74	268.39	264.90	23.59	252.55
Ireland (16)	530.61	0.7	474.30	465.51	501.83	540.01	1.4	1.80	527.40	468.60	462.67	494.90	532.75	560.44	353.19	354.53
Italy (54)	161.70	2.2	144.49	141.81	152.88	216.30	3.0	1.37	158.24	140.60	138.82	148.49	210.07	177.15	95.49	97.81
Japan (480)	95.73	3.6	85.54	83.95	90.50	83.95	3.6	0.94	92.40	82.10	81.06	86.70	81.08	138.11	83.04	138.88
Malaysia (106)	121.41	3.5	108.49	106.48	114.78	194.07	3.8	3.25	117.32	104.24	102.92	110.09	187.40	513.98	113.58	510.31
Mexico (29)	1404.59	3.7	1255.07	1231.81	1327.92	13717.71	3.1	1.98	1354.13	1203.16	1187.95	1270.71	13304.13	1801.98	1278.19	1612.64
Netherlands (20)	520.92	0.7	465.47	456.84	492.48	487.40	1.5	1.92	517.09	459.44	453.63	485.23	480.08	532.74	385.56	404.24
New Zealand (14)	60.56	2.6	54.11	53.11	57.25	62.25	3.1	4.89	59.02	52.44	51.77	55.38	60.37	98.47	58.33	94.69
Norway (38)	305.99	1.6	273.42	268.35	289.29	320.55	2.2	1.95	301.21	267.63	264.24	282.65	313.72	374.64	281.62	316.91
Philippines (22)	74.84	2.5	66.87	65.63	70.75	154.29	1.7	1.11	73.02	64.88	64.06	68.52	151.74	166.78	57.54	166.78
Portugal (18)	261.59	-0.1	233.74	229.41	247.31	332.94	0.6	1.08	261.90	232.70	229.76	245.77	331.13	289.39	261.25	–
Singapore (42)	153.74	4.9	137.38	134.83	145.35	119.63	4.9	2.53	146.50	130.17	128.52	137.48	114.06	401.75	133.61	388.54
South Africa (40)	216.50	-1.1	193.45	189.87	204.68	284.63	1.0	3.14	218.90	194.50	192.04	205.42	281.81	362.48	216.50	362.48
Spain (31)	386.68	1.1	345.50	339.10	365.55	452.06	1.9	1.71	382.47	339.83	335.53	358.90	443.57	388.54	236.28	286.88
Sweden (49)	590.30	0.5	527.46	517.69	558.06	709.90	1.5	1.66	587.61	522.10	515.50	551.41	693.73	615.21	439.98	484.82
Switzerland (28)	412.66	1.1	368.73	361.90	390.14	391.02	1.6	1.06	407.96	362.47	357.89	382.82	383.52	414.95	285.65	312.27
Thailand (38)	11.71	0.4	10.46	10.27	11.07	19.15	0.0	13.90	11.66	10.36	10.23	10.95	19.15	69.09	11.66	58.74
United Kingdom (204)	384.84	0.9	343.87	337.50	363.83	343.87	1.4	2.89	381.54	339.00	334.72	358.04	339.00	401.84	303.41	308.20
USA (630)	469.70	1.3	419.70	411.92	444.06	469.70	1.3	1.37	463.65	411.96	406.75	435.09	463.65	469.70	358.31	360.76
Americas (805)	422.76	1.3	377.76	370.75	399.66	357.63	1.3	1.40	417.40	370.87	366.18	391.69	353.15	422.76	326.79	330.22
Europe (741)	363.13	0.7	324.47	318.46	343.30	347.15	1.4	1.98	360.76	320.54	316.49	338.54	342.45	368.89	286.25	273.53
Eurobloc (351)	104.90	0.5	105.34	109.38	107.21	107.20	1.2	1.60	104.42	104.27	108.92	105.93	105.90	106.98	99.54	–
Nordic (149)	516.06	0.3	461.13	452.58	487.89	536.77	1.1	1.66	514.73	457.34	451.56	483.02	530.70	536.56	386.51	412.51
Pacific Basin (867)	101.11	3.1	90.35	88.67	95.59	89.16	3.1	1.67	98.03	87.10	86.00	91.99	86.45	156.70	88.45	155.64
Euro-Pacific (1608)	210.30	1.3	187.92	184.43	198.82	186.41	1.9	1.88	207.53	184.39	182.06	194.74	183.02	218.04	172.03	204.85
North America (750)	454.29	1.3	405.93	398.41	429.49	454.83	1.2	1.38	448.64	398.62	393.58	421.00	449.02	454.29	349.08	351.32
Europe Ex. UK (537)	340.02	0.6	303.83	298.20	321.46	337.84	1.3	1.52	338.14	300.44	296.64	317.31	333.38	348.53	236.79	248.23
Europe Ex. Eurobloc (390)	99.29	0.9	99.70	103.53	101.47	100.57	1.5	2.35	98.44	98.29	102.68	98.86	98.07	100.97	94.53	–
Europe Ex. UK Ex. Eurobloc (186)	102.12	0.9	102.55	106.49	104.37	105.21	1.7	1.28	101.25	101.10	105.62	102.71	103.47	104.20	95.88	–
Pacific Ex. Japan (387)	158.57	1.3	141.69	139.07	149.91	165.67	1.4	4.71	156.56	139.10	137.34	146.91	162.43	318.98	142.99	317.54
World Ex. Eurobloc (2102)	100.09	1.5	89.43	87.78	94.62	101.20	1.6	1.62	98.65	87.65	86.54	92.57	98.82	100.18	93.25	–
World Ex. US (1823)	212.24	1.3	189.64	186.13	200.65	192.52	1.8	1.89	209.54	186.18	183.82	196.63	189.18	220.18	176.30	209.47
World Ex. UK (2249)	285.79	1.4	255.38	251.51	271.13	265.41	1.5	1.47	282.98	251.43	248.25	265.55	261.39	287.02	234.24	251.96
World Ex. Japan (1973)	394.24	1.1	352.28	345.75	372.72	390.14	1.3	1.70	390.16	346.69	342.26	366.13	385.11	394.39	309.33	318.42
The World Index (2453)	295.13	1.3	263.72	258.83	279.02	272.61	1.5	1.62	291.36	258.87	255.60	273.41	268.51	296.57	241.30	256.82

 CONSTITUENT CHANGE WITH EFFECT 1/7/98: Name changes: Kato Taiko Electric Railway is now Keio Electric Railway (Japan); Yamatake Honeywell is now Yamatake Corp (Japan); Malaysian Helicopter is now Naluri Berhad (Malaysia); Pohjola Insurance is now Pohjola Group Insurance (Finland); Incentive is now Gambro (Sweden). CONSTITUENT CHANGES WITH EFFECT 3/7/98: Addition: Nova Corp. (new) (Medium-Small Cap) (Canada). Deletion: Nova Corp. (old) (Canada). Markets closed 1/7/98: Canada, Hong Kong and Thailand. Latest prices were unavailable for this edition.

Emerging markets:

IFC investable indices

Dollar terms

July 1 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	939.26	+3.1	-15.8
Brazil	426.65	+2.2	-11.6
Chile	502.85	-0.3	-21.7
Colombia[1]	550.86	-0.2	-33.8
Mexico	809.79	+2.2	-22.8
Peru[2]	196.27	-0.7	-11.4
Venezuela[3]	453.63	-1.0	-50.4
East Asia			
China[4]	36.01	+0.1	-34.9
Korea[5]	25.77	+6.9	+7.2
Philippines	105.61	+2.5	-8.3
Taiwan, China[6]	115.40		-18.2
South Asia			
India[7]	68.46	-0.5	-17.9
Indonesia[8]	14.11	+4.8	-58.1
Malaysia	67.28	+8.2	-28.2
Pakistan[9]	98.30	+0.3	-60.4
Sri Lanka[10]	79.14	+0.7	-32.0
Thailand	39.89	+0.4	-15.2
Europe/Mideast/Africa			
Czech Rep	54.27	+0.5	-0.8
Egypt	76.07	-0.0	-18.4
Greece	498.36	+0.9	+53.8
Hungary[11]	313.37	+1.1	-0.4
Israel	124.80	-0.8	+2.5
Jordan	218.96	-1.0	+4.1
Morocco	162.65	-1.2	+24.9
Poland[12]	730.87	+1.0	+17.4
Portugal	288.69	-0.1	+36.7
Russia	54.65	-3.2	-63.2
S Africa[13]	153.98	-1.9	-14.3
Slovakia	55.78	-1.1	-43.7
Turkey[14]	298.83	+0.1	-13.9
Zimbabwe[15]	244.70	-0.2	-2.8
Regions			
Composite	205.06	+0.9	-16.2
Latin America	547.29	+1.7	-19.2
Asia	83.94	+2.2	-22.1
EMEA	135.28	-0.8	-8.4
Europe	174.97		-7.2
Eastn Europe	85.91	-0.7	-38.8
ME & Africa	64.66	-1.6	-8.6

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

4 pm close July 2

NEW YORK STOCK EXCHANGE PRICES

[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. § Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jul 1	Jun 30	Jun 29	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9048.67	8952.02	8997.36	9211.84 (13/5)	7580.42 (9/1)	9211.84 (13/5/98)	41.22 (8/7/32)
Home Bonds	105.01	105.18	104.88	105.48 (15/1)	104.42 (11/5)	105.48 (15/1/98)	54.88 (1/10/81)
Transport	3514.60	3475.29	3459.84	3686.02 (16/4)	3194.36 (9/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	294.14	293.87	292.46	294.14 (1/7)	262.88 (9/1)	294.14 (1/7/98)	10.53 (8/7/32)

DJ Ind. Day's high 9103.23 (9085.79) Low 8918.84 (8898.57) (Theoretical) Day's high 9049.17 (9020.57) Low 8958.99 (8920.60) (Actual)

Standard and Poors	Jul 1	Jun 30	Jun 29	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1148.56	1133.84	1138.49	1148.56 (1/7)	927.69 (9/1)	1148.56 (1/7/98)	4.40 (1/6/32)
Industrials♥	1338.50	1323.26	1328.04	1338.50 (1/7)	1077.40 (9/1)	1338.50 (1/7/98)	3.52 (30/6/32)
Financial♥	139.76	136.85	137.47	140.83 (14/4)	110.85 (9/1)	140.83 (14/4/98)	7.13 (4/3/74)
Others							
NYSE Comp	585.60	578.73	580.17	585.82 (22/4)	487.47 (9/1)	585.82 (22/4/98)	4.84 (25/4/42)
Amex Comp	723.31	721.38	720.61	763.67 (22/4)	646.41 (12/1)	763.67 (22/4/98)	524.20 (16/7/96)
NASDAQ Cmp	1914.46	1894.74	1891.08	1917.81 (22/4)	1503.22 (9/1)	1917.81 (22/4/98)	54.87 (3/10/74)
Russell 2000	459.85	457.39†	453.83	491.41 (21/4)	410.89 (12/1)	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	Jun 26	Jun 19	Jun 12	Year ago
Dow Jones Ind. Div. Yield	1.60	1.64	1.61	1.87
	Jul 1	Jun 24	Jun 17	Year ago
S & P Ind. Div. yield	1.27	1.28	1.28	1.82
S & P Ind. P/E ratio	32.08	31.73	30.97	24.35

US DATA

MARKET ACTIVITY

[illegible]

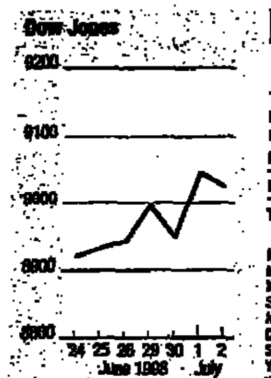
NYSE TRADING ACTIVITY

[illegible]

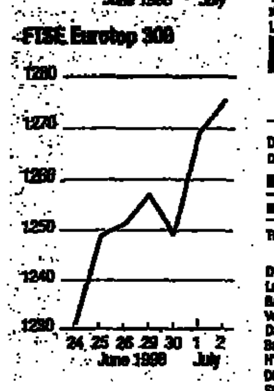
NASDAQ TRADING ACTIVITY

[illegible]

Dow Jones



FTSE Eurotop 300



JAPAN

	Jul 2	Jul 1	Jun 30	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	16471.59	16362.89	15830.27	17264.34	14664.44	38915.9	85.25

Day's high: 16743.56. Day's low: 16432.62.

TOKYO TRADING ACTIVITY — Volume : 924,000,000

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
NpStl	46,449,000	283	
Mitbsy	22,404,000	580	+2
KawStl	17,287,000	288	-8
SumMt	15,992,000	229	-2
NikkoS	15,807,000	642	+20
DaiwaSc	13,982,000	653	+15
Sakura	13,288,000	398	
Yasuda	12,794,000	354	+22
KobeSt	12,592,000	114	-6
LgTmCr	12,357,000	78	

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
JaSewld	145	+37	+34.3
IshikwS	670	+80	+13.6
Seiyu	351	+39	+12.5
Aoyama	3720	+390	+11.7
Downs			
MDGsCh	414	-31	-7.0
NpYkin	107	-8	-7.0
KmGumi	111	-8	-6.7
HmaSan	1260	-88	-6.5

FRANCE

	Jul 2	Jul 1	Jun 30	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	4252.09	4260.68	4203.45	4280.88	2862.54	4280.88	[illegible]

Day's high: 4312.49. Day's low: 4240.55.

PARIS TRADING ACTIVITY — Volume : 385,046,95[illegible]

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
FrTele	1,476,551	416.5	-13.5
BNP	1,241,782	515	+2
Axa	1,088,935	705	+8
Usinor	1,027,287	91.55	+0.1
Alstom	953,953	198	-1.5
Rhodia	906,014	175	+3.8
Alctel	961,541	1255	+8
RhonPA	819,282	343	-0.3
SuezLy	754,160	1015	+7
Scindr	645,183	463	

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
FPP	278	+45	[illegible]
Oriewe	1735	+235	[illegible]
Manitou	1160	+66	[illegible]
Cie Alpes	189	+10	[illegible]
Downs			
LVL Med	681	-84	-11.0
Sodexo	155.7	-17.3	[illegible]
Valcanic	360	-39	[illegible]
Air France	130	-14	[illegible]

GERMANY

	Jul 2	Jul 1	Jun 30	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	5515.10	5908.85	5897.44	6015.13	4067.28	6015.13	931.18

Day's high: 5980.30. Day's low: 5898.52.

FRANKFURT TRADING ACTIVITY — Volume 2,752,280

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
Dt Tel	1,070,368	50.9	+1
Lufthn	995,154	48	+1.8
BASF	985,858	88.2	+1.85
Veba	922,698	114.3	-4
Dalmlr	853,271	179.4	+1.8
Bayer	848,800	95.8	+1.2
H'chst	809,777	94.5	+3.9
Dt Bk	526,031	152.4	-0.6
Siemns	477,932	109.1	-1.65
Cmzbk	457,585	68.1	-0.5

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
Hrltz	104	+8.5	+8.9
Dt Bab	124.5	+8.5	+7.3
Dougls	100.5	+5.5	+5.8
H'chst	94.5	+3.9	+4.3
Downs			
ZnFpap	135	-9	-6.2
RWE	102.1	-6.4	-5.9
AVA	655	-30	-4.4
RWE Pf	77	-2.8	-3.5

UK

	Jul 2	Jul 1	Jun 30	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5960.2	5919.9	5832.5	6105.80	5068.50	6105.8	[illegible]

Day's high: 5996.7 Day's low: 5918.9

LONDON TRADING ACTIVITY — Volume : 1,066,530,300

ACTIVE STOCKS Thursday	Stocks traded	Close price	Day's change
Taylor Nelson	56,924,590	131	+9
Sema Gp	31,863,070	725	+5
Vodafone	24,413,610	819	+23
BG	22,819,170	369	+7
BTR	16,628,580	[illegible]	[illegible]
SmKline	15,502,140	743	+1
Albert Fisher	13,985,680	[illegible]	[illegible]
Centrica	13,304,310	[illegible]	[illegible]
Coats Viyella	12,562,620	[illegible]	
Sears	11,237,280	[illegible]	[illegible]

BIGGEST MOVERS Thursday	Close price	Day's change	Day's chge %
Ups			
Tradepoint	[illegible]	+6	[illegible]
Misorplaned	[illegible]	[illegible]	[illegible]
Sleepy Kids	[illegible]	[illegible]	[illegible]
Tadpole Tech	18	+3	[illegible]
Downs			
Haggas J	[illegible]	-19	[illegible]
Swallowfield	[illegible]	-30	[illegible]
Abacus Rcrt	250	[illegible]	-11.1
ERC	[illegible]	-10	[illegible]

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	1156.50	1154.90	-1.50	1159.70	1151.70	[illegible]	[illegible]
Dec	-	1168.80	-	-	1158.50	[illegible]	[illegible]

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	16650.0	16400.0	+50.0	16780.0	16380.0	[illegible]	[illegible]
Dec	16620.0	16400.0	+260.0	16660.0	16400.0	[illegible]	[illegible]

Open interest figures for previous day.

CAC-40 / DAX	Open	Sett price	Change	High	Low	Est. vol.	Open int.
CAC-40 Jul	[illegible]	[illegible]	[illegible]	[illegible]	4256.0	58,767	159,344
CAC-40 Aug	[illegible]	[illegible]	[illegible]	[illegible]	4321.5	400	280
DAX Sep	[illegible]	[illegible]	[illegible]	[illegible]	5929.0	25,178	72,752
DAX Dec	[illegible]	[illegible]	[illegible]	[illegible]	6008.5	29	1,757

OMX	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jul	795.50	788.00	-1.50	801.50	788.00	14,391	[illegible]
Aug	802.50	793.50	-	803.25	793.50	3,210	[illegible]
SOFFEX							
Jul	8057.0	8050.9	+20.1	8074.9	7936.0	4,605	[illegible]
Aug	8057.0	8065.8	+44.0	8070.0	8057.0	8	[illegible]

WORLD MARKETS AT A GLANCE

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

AMEX PRICES

[illegible]

EASDAQ

[illegible]

STOCK MARKETS

Japan bank scheme gets mixed reception

WORLD OVERVIEW

The announcement of the long-awaited Japanese bridge bank scheme received a mixed reception from equity investors round the world yesterday, *writes Philip Coggan.*

Details of the project, designed to tackle the bad debt problems of the Japanese financial system, were much as expected. Asian markets closed higher, but the gains were mostly made before the package was revealed.

The yen produced a thumbs-down on the details, however, falling from Y138.80 in New York on Wednesday to below Y141 in late London trading. It may have been a case of "buy on the rumour, sell on the news"; it may have been disappointment at the lack of an income tax cut; or it may have been a realisation that Japan's financial problems will take a long time to solve, however clever the bridge bank idea.

Nigel Richardson, investment strategist at Axa investment managers, said that the markets might be overdoing the negative sentiment on Japan. "You have a big fiscal stimulus, a very loose monetary policy and a currency that has been weakening for three years," he points out.

European markets started strongly, but lost most of their gains as the day developed, although Amsterdam, Brussels and Zurich edged ahead to reach all-time closing highs.

Wall Street was subdued ahead of the Independence Day weekend with equities taking little heart from the widely-expected decision of the Federal Reserve to leave interest rates unchanged.

The US non-farm payroll data were pretty much as forecast, with 205,000 jobs added in June. Signs of a slowdown were seen in manufacturing, which shed 29,000 employees, and there was relief at the average hourly earnings numbers, which rose just 0.1 per cent on the month.

Strategists are producing their second-half views. "The risks to financial markets are rising in the short term but are heavily dependent on events in Asia. Our central view points to further yen weakness and risks to global earnings growth on the downside relative to the current consensus," says the team at HSBC Securities. "Weaker growth implies lower bond yields primarily in the US, supporting our overweight position in US bonds. We have raised our global bond weightings further this month at the expense of cash."

Within equity markets, HSBC sees Europe as the most attractive region thanks to strong economic fundamentals and rising returns on investment.

Dow drops back ahead of holiday

AMERICAS

US shares moved lower in moderate early afternoon trading in advance of the long Independence holiday weekend, *writes John Labate in New York.*

Analysts' rating changes and company profit warnings were among the more dominant factors driving the market's slightly downcast mood.

CompUSA, a major retailer, fell $1 1/16 or more than 6 per cent to $16 7/8 after the company said weak computer sales would result in a loss in an upcoming quarter.

Sun Microsystems was another heavy faller, down $2 1/4 or more than 5.5 per cent to $42 7/16 after Salomon Brothers downgraded the shares to an "outperform" rating.

Many technology stocks fell, but elsewhere trading was more mixed. By early afternoon, the Dow Jones Industrial Average had lost 24.66 to 9,024.01 while the broader Standard & Poor's 500 was off 3.45 to 1,145.11.

Sentiment was also weakened by reaction to the Japanese stimulus package, which many observers considered weaker than expected. That triggered a fall for the yen and helped send US Treasuries higher.

In addition, a new US employment report in June confirmed that economic growth had slowed in the second quarter. The June unemployment rate rose to 4.5 per cent.

By early afternoon the 30-year Treasury bond was 13/32 higher at 107 1/32, pushing the yield down to 5.597 per cent.

AT&T helped drag the Dow lower. The telecoms leader fell $2 1/16 to $54 11/16. Hewlett-Packard was down $1/2 to $57 13/16 after analysts at Goldman Sachs cut back 1998 earnings estimates for the company.

Key technology shares moved lower, sending the Nasdaq composite index down 19.03 to 1,895.43. Oracle, the software producer, fell $13/16 to $23 1/2 while Dallas Semiconductor tumbled $1 3/4 to $30 1/16.

Some stocks managed large gains, particularly in the retail sector. Starbucks climbed $3 3/4, a gain of 6.4 per cent, to $56 after releasing higher same store sales figures.

TORONTO traded flat during its post-holiday session, waiting for Monday when North American investors will be back in full force.

By midsession, the TSE-300 composite index had added 0.89 to 7,367.78 in thin dealings of C$42.7m shares.

Analysts said that upward movement was restrained by a lower Japanese yen, which sank amid disappointment about Japan's rescue plan for its ailing banks. Traders said they were looking for stronger measures.

Laidlaw dropped C$1.90 to C$15.85 as the transportation company said it would appeal against a ruling by a US court that it was liable for $141m in tax and interest.

Bolivar boosts Caracas

CARACAS put on 1.1 per cent by midsession although trade was said to be quiet with investors cautious about the economic outlook. The IBC index climbed 51.57 to 4,871.49.

Analysts said the market was supported by a recovery in the bolivar. With overnight rates reaching 120 per cent during the morning, and the central bank selling to support the Venezuelan currency, the bolivar gained some ground after sharp falls in recent days.

MEXICO CITY opened with a bout of profit-taking after Wednesday's 3.3 per cent rally but early losses were soon overcome and, by midsession, the IPC index was trading 9.37 higher at 4431.46.

Market bellwether Telmex L shares eased 5 centavos to 21.75 pesos.

Zurich keeps up record pace

EUROPE

Shares in **ZURICH** maintained a record-setting pace for a fourth straight session, but the SMI index rose only 9.1 to 8,047.3 after choppy trade.

Demand for insurance stocks remained healthy with Swiss Re gaining SFr71 to SFr3,989 and Zurich Insurance ending SFr4 higher at SFr991.

In the cyclical sector, ABB ended SFrF59 higher at SFr2,343, continuing to profit from reported comments by Martin Ebner that he was still a buyer and wanted to see a unified share.

The pharmaceuticals and chemicals sectors had a better day than of late. Roche certificates collected SFr100 to SFr15,060 and Novartis was up SFr12 to SFr2,550.

Banks came in for profit-taking. The possible boycott by US states of banks suspected of holding the assets of Holocaust victims was seen as a psychological but not financial blow. The new UBS ended SFr11 lower at SFr579. CS Group lost SFr4 to SFr345.

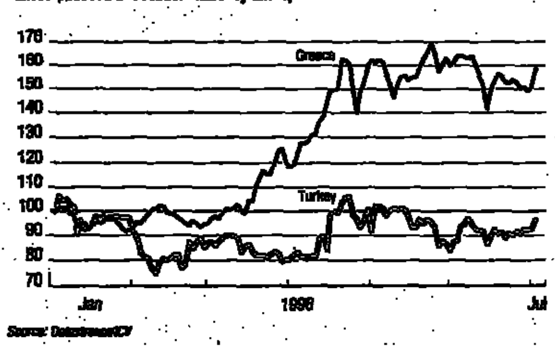
AMSTERDAM nudged up to a record, with the AEX index adding 7.50 at 1,229.04.

Financials were steady as latent worries about rising US interest rates faded. ING added 50 cents at Fl 136.50 and ABN Amro 40 cents at Fl 48.30. The two have a combined weighting of almost 20 per cent in the benchmark.

KLM was a firm feature, gaining Fl 1.60 to Fl 85.90 on broker optimism. Morgan Stanley upgraded to "outperform" while Goldman Sachs maintained its Fl 90 price target following a recent upbeat US roadshow.

Vedior, a newcomer to the benchmark index, shed Fl 2.50 to Fl 54.50. Philips gained Fl 2.40 to Fl 180.40 for a two-day advance of 5 per cent. Unilever rose Fl 2.20 to Fl 166.50.

Greece and Turkey
Indices (rebased in common currency terms)



Source: Datastream/ICV

FRANKFURT was unable to maintain its foray into record territory as Wall Street's morning weakness and waning optimism about Japan's plan to restructure its banking system pulled the market down. At the close of electronic trade, the Xetra Dax index was 5.36 easier at 5,905.15.

Hoechst, the chemicals group, set new highs after Goldman Sachs raised its rating, reflecting a more positive view of the valuation of the group's HMR pharmaceuticals group.

Analysts noted that the Hoechst shares, up almost 50 per cent since the start of the year, had benefited recently from persistent takeover rumours as well as from the introduction of new products in the US. The shares put on DM3.68 to DM94.48.

RWE pulled back DM5.90 to DM102.90 as BHF Bank cut its recommendation on the diversified utility, saying that sales growth in 1997-98 was slower than expected.

PARIS pushed up to 4,312.49 on the CAC 40 index in the morning only to drift back during the afternoon session. The benchmark ended off 8.59 at 4,252.09 in slow volume.

News of strong domestic sales plus a renewed outbreak of merger fever, fuelled by the news of "talks" between Germany's VW and Volvo of Sweden, lifted motor stocks. Renault gained FFr7.90 to FFr356.3 and Peugeot FFr27 at FFr1,325.

Canal Plus hardened FFr3 to FFr1,118 after the pay-TV group announced an internet services distribution deal with America Online. Caterer Sodexho, a weak market lately on disappointing results, rallied FFr32 to FFr1,184 after analysts came away from a trading update partially reassured.

LVMH stayed firm, adding FFr4 at FFr1,274, but news of a small US takeover sparked profit-taking at luxury-sector rival L'Oreal which fell FFr137 to FFr3,361.

MADRID edged higher. Endesa, a weak market lately following a reduction in its weighting in the benchmark index, rallied on contract news, adding Pta30 to Pta3,370.

Tabacalera improved Pta50 to Pta3,240 after coming to terms with unions on early retirement terms. The general index added 4.81 at 904.17.

Waste-recycling newcomer Befesa, which surged to a near 24 per cent premium to its flotation price on Wednesday, gave up Pta110 to Pta2,485 after profit-taking advice from Ibersecurities.

ATHENS raced ahead, with privatisations and the banking sector's continuing consolidation providing the motive force following the aggressive bidding seen for Cretabank.

The general index gained 121.54 or 5.1 per cent to 2,505.90 as banks advanced 5.2 per cent and industrials were marked up 5.3 per cent.

Analysts noted that the unexpectedly high price paid this week by the unlisted Eurobank, which outbid Piraeus Bank and Ergobank for Cretabank, was widely seen as a precursor to a contest for Ionian Bank's coming privatisation.

ISTANBUL was spurred 4.1 per cent higher in response to a fall in local interest rates. The IMKB National-100 index climbed 168.33 to 4,292.88.

Written and edited by Michael Morgan, Jeffrey Brown, Peter Hall and Paul Gregan

Gold sector rally shines on

SOUTH AFRICA

Gold shares continued to accelerate in Johannesburg, advancing 7.5 per cent to extend the rally for the gold share index to almost 18 per cent in three days.

The performance almost single-handedly sent the all-share index ahead by 1.45 per cent to 6,921.1.

Industrials improved 0.6 per cent to 8,120.4 but financials continued to suffer from currency weakness and high interest rates, sliding 0.4 per cent to 11,618.7.

MARKET FOCUS

Oslo slips on weak oil prices

Many of western Europe's stock exchanges have reached record highs this year, but not Oslo.

The all-share index has struggled to generate positive returns and declined 1.1 per cent in June amid general disenchantment at oil and shipping stocks.

Given that the index had risen 250 per cent in the previous five years, the performance so far in 1998 looks especially moribund – particularly when compared to the 25 per cent rise on the Stockholm market and 53 per cent growth in Helsinki.

So far this year, the Oslo all-share index has grown just 1.9 per cent. It started the year at 1,273.61 and yesterday stood at 1,327.

Brokers and market analysts in Oslo are united on the roots of the problem: weak oil prices; the overexposure of Norwegian companies to volatile raw material costs; and uncertainty over the economic policy of the ruling centrist coalition.

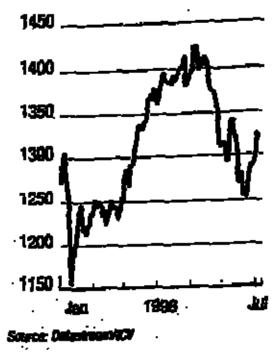
The minority government, which is struggling to get a revised budget through parliament, has been accused of failing to prevent overheating in the economy, stirring fears on inflation and excessive wage claims.

"Investors have been shaken by the lack of wage moderation and fears that overheating could lead to a recession in a relatively short period of time," said Audun Gleinsvik, chief economist at Christiania Bank in Oslo.

Confidence was not helped when Norges Bank, the central bank, criticised the government's handling of the economy and then increased interest rates by 0.25 percentage points to 4.5 per cent in a bid to stabilise the Norwegian krone.

Interest in oil stocks, led by Norsk Hydro and Saga Petroleum, has been undermined by reduced demand in Asia and weak international oil prices. Norsk Hydro has also been affected by weak prices for aluminium, one of its main products.

Norway
Oslo SE index



Source: Datastream/ICV

Such factors also hampered the shipping index, down 5.2 per cent in June.

The malaise has been reinforced by profit warnings. Tandberg Data, the information technology company, saw its shares fall more than 19 per cent in June after warning of lower-than-expected earnings. And fears of gloomy results elsewhere dragged the information technology sector down 7.3 per cent last month.

"A lot of these small IT stocks have been racing ahead up to now and they have had a bit of a battering recently," said one broker.

Turnover in Oslo has also been weak in the past month, exaggerating the impact of the worst performers on the whole index.

"Investors have had many excuses for a wait-and-see attitude these days," said Geir Harald Aase at the Oslo bourse.

Mr Aase does not believe that sentiment is going to change in the short term, particularly while oil prices remain depressed. "The whole market has taken its lead from the oil stocks. There is no sign of a pick-up there and the weakness of the krone has done nothing to help."

Tim Burt

Tokyo caught in two minds

ASIA PACIFIC

Suspended between an aid package for the banking system and a dispiriting day for the yen, **TOKYO** pared early gains to close with the Nikkei 225 average up 108.69 at 16,471.58.

It was the seventh successive advance for the benchmark, which at one stage touched 16,743.36, its best level since late March. The low for the session was 16,432.62.

Volume was good, with 924m first-section shares traded. The broader indices ended modestly lower. The Topix index of all first-section stocks shed 0.29 to 1,270.46.

Nippon Steel continued to top the activity charts, rising to Y271 before subsiding to Y263, unchanged on the day. With the yen up against 140 to the dollar at the close of the Tokyo day, export hopes remained high.

There was also no shortage of action among second-line stocks. The second section index gained 20.57 to 1,340.58.

THE DAY'S CHANGES

	% Change
Manila	+4.2
Bangkok	+4.0
Hong Kong	+3.8
Taipei	+3.6
Wellington	+2.3
Jakarta	+2.2
Tokyo	+0.7
Seoul	-1.2

MANILA rose to a three-week high as optimism about the latest Japanese economic package countered renewed weakness for the yen. The composite index finished with a gain of 74.23 or 4.2 per cent at 1,856.19, although volumes were moderate.

PLDT surged 45 pesos or 4.6 per cent to 1,025 pesos. Among financials, Ayala Land gained 50 centavos to 12.75 pesos.

WELLINGTON had another strong session but a number of blue chips finished below their best of the day. NZ Telecom rose 13 cents to NZ$8.35 after a peak of NZ$8.50. Carter Harvey Holt improved 7 cents to NZ$1.92.

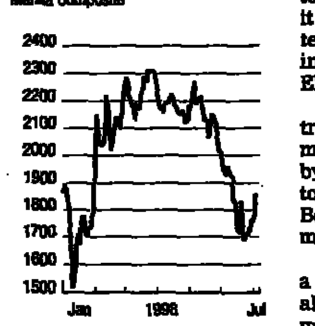
The 40 capital index ended up 45.61 at 2,054.20 for a two-day gain of almost 5 per cent.

BANGKOK pushed higher with improved regional sentiment underpinned by news a Hong Kong company had snapped up a 14.9 per cent stake in a local power group. The SET index added 3.9 per cent or 10.65 to 277.98.

Bangkok Bank again led activity, rising Bt3.75 to Bt47.25. The announcement that Hong Kong's CLP Holdings had taken a 14.9 per cent stake sparked dramatic action at EGCO, up 19.4 per cent or Bt10.50 to Bt64.50.

SEOUL ran into profit-taking and the composite index finished 3.79 or 1.2 per cent lower at 311.77, reversing an earlier gain of 1.5 per cent. The banking sector fell 2.2 per cent with Bank of Korea down Won90 at Won695. Hyundai Electronics went limit down, losing Won3,300 at Won24,200 with the shares due to go ex-rights today.

Philippines
Manila Composite



Source: Datastream/ICV

HONG KONG took its cue from stronger overseas markets and a Chinese interest rate cut, but analysts cautioned that developments in Tokyo would continue to hold the key to trade.

The Hang Seng index jumped 323.06 to 8,866.16, off a high of 8,970.74, in turnover that picked up sharply to a healthy HK$8bn.

China plays were also boosted by the People's Bank of China announcement of cuts in bank deposit rates and lending rates. The red-chip China-Affiliated Corporations index gained 2.8 per cent, while H-shares were up 4.8 per cent.

CLP Holdings stood out as the only loser among the blue chips, dropping 80 cents to HK$34.50 on the view that it had paid more than expected for a 14.9 per cent stake in Thai power company, Electricity Generating.

Hard-currency shares traded in mainland Chinese markets were little moved by the rate cuts, with investors awaiting policies from Beijing to boost the B shares markets.

JAKARTA was higher for a fifth straight session although analysts said the market still lacked fundamental support. The composite index closed up 9.83 at 466.37 on turnover of Rp397bn.

The exchange suspended conglomerate Bimantara Citra when early speculative buying drove the price up 50 per cent. Some of the gains were erased later, but the stock finished Rp75 higher at Rp325.

TAIPEI was propelled higher as Wall Street's rally helped to spark a strong advance in electronics.

The composite index, up 268.30 at 7,817.11, opened steadily as technology shares, bloodied in the second quarter, surged on hopes of a revival in the third quarter. Electronics rose a bullish 5.1 per cent.

Confusion about the fate of Taiwan's planned bullet train dealt losses to some members of the sponsoring Taiwan High Speed Rail Corp. Continental Engineering fell T$1.30 or 4.4 per cent to T$28.20.

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ROBERT TAYLOR

His master's voice

UK workers may be better skilled now, but they are more supervised and *'managed'* than ever before, a study finds

The UK workplace is widely believed to have changed beyond recognition over the past 10 years as a result of technological innovation and the need to compete in the global economy.

This is said to have transformed relations in the workplace by giving employees more control over their work and increasing their participation in company decision-making. As a result, we are supposed to have seen an end to the more traditional and allegedly oppressive methods based on scientific management and the production assembly line.

The trouble with much of this familiar picture is that it is based more on anecdote than on empirical evidence. An extensive study of the UK employment relationship challenges this comforting view with an impressive analysis of what is actually happening in the workplace.* It suggests that behind the much acclaimed modernisation of employment relationships lies a much more familiar pattern of workplace behaviour shaped by the attempted reassertion of managerial power.

The co-authors, led by Duncan Gallie at Nuffield College, Oxford, produce some startling findings about UK employees. They point to what they see as an impressive improvement in workplace skill levels. As many as 63 per cent of all employees surveyed said the skills required in their particular job had increased over a five-year period, while only 9 per cent said they had suffered from deskilling.

As many as 65 per cent of employees reported an increase in their responsibility at work, mainly as a result of those improved skills. The authors point to the "spectacular" spread of new technologies, so the proportion of employees using automated or computerised equipment rose from 39 per cent to 56 per cent.

They conclude that the second half of the 1980s and the first half of the 1990s "saw a marked decentralisation of decision-making within organisations" with a *resulting loss of middle-level* management. There was also evidence that "work has *grown intrinsically more* satisfying and less degrading". But the survey also *found upskilling had* brought "ambivalent" consequences for the quality of working life because of intensified work pressures.

Moreover, the greater "task discretion" required from employees has not brought a greater willingness by employers to trust their employees more and give them more autonomy and participation. It seems there has been no significant shift in power from managers to employees.

On the contrary, the authors claim that the UK has seen the intensification by management of "extensive and expanding control systems", helped by the spread of advanced technologies. "Almost everyone is supervised and four in 10 supervise others to some degree," they argue. While managers and professional staff enjoy increased personal discretion at work, "more manual workers are experiencing tighter supervision than before", with 30 per cent having their pay linked to work-pacing and target-setting and with appraisal and merit pay covering 40 per cent of them.

This conclusion is strengthened by the study's other findings on the limited degree of employee participation and *representation. Only 32 per* cent of employees said they had "any significant degree *of say over changes in work* organisation" with half saying they could exercise *no influence at all. The* study claims: "The capacity of employees to affect their *employment conditions* appears to have diminished since the mid-1980s, although they may have become better informed about organisational activities."

The lack of an employee voice in the UK workplace is stark. Only 22 per cent of workers said they had a consultative works council or similar structure in their establishment and a majority believed such a body enjoyed little or no influence. The study found consultation committees were strongest where trade unions were recognised. As in Japan and the US, so in the UK a correlation exists between high worker participation levels and innovative workplaces.

But Mr Gallie and his colleagues suggest that, in a period of rapid technological change and competitive pressure, "UK employers have very widely failed to carry through the institutional reforms in their organisations that would have enhanced co-operation in employment relationships and led to a higher level of social integration of their employees".

The lack of a worker voice may help to explain the alarmingly low levels of *commitment among workers* to the company that employs them. The study found only *8 per cent said their own* values and those of their organisation were "very *similar", while a mere 14 per* cent said they were "proud" of their organisation and *only 30 per cent felt any* loyalty towards it. This contrasts with 28 per cent saying they "felt sufficiently attached to their organisation to say they would turn down another job if it offered higher pay".

The lack of a voice may explain the alarmingly low commitment among workers

The study provides evidence of the increase in employment insecurity, especially for young male manual workers, which has grown markedly since the 1970s. But gender differences are less obvious when it comes to the experience of being without work. The authors point out that once a man or a woman becomes unemployed it tends to lead to further spells of unemployment as his or her job prospects become more problematic.

But on the other hand, there is no evidence the work ethic is dying out. Going to work in a society dominated by fragile family values provides an *increasing number of people* with "a basis for personal autonomy", says the study. *Workers work not merely to* earn money. They are more concerned with employment *security, job interest and the* quality of their personal relations with management.

The main conclusion, however, is rather bleak. The quality of employment may have improved for those in higher and intermediate skilled employment, but the brunt of change has hit the non-skilled manual worker hard. "The UK employment structure still remains fundamentally divided by class," argues the report. It warns that this could lead to a resurgence of workplace conflict. Apparently there are few signs that a new model of the employment relationship is becoming more widespread in the UK.

**Restructuring the Employment Relationship, Duncan Gallie, Michael White, Yuan Cheng and Mark Tomlinson, Oxford University Press, £45 or £17.99, to be published in July*

WORKING BRIEFS

Job prospects for executives improve, finds DBM monitor

Job opportunities for executives within UK-established companies have increased over the past 12 months, according to the *latest annual executive* employment monitor from DBM, the consultants.

In a further sign of a bullish labour market, the survey also found that executives who are *made redundant have more* reason to feel confident about continuing their careers than *at any time in the past five* years. But restructuring due to company mergers remains the *primary reason for job loss* among executives, accounting for 35 per cent of those *surveyed. Those responsible* for marketing and financial organisation are the most *vulnerable, with* production staff the least likely to be hit by redundancy.

Contrary to popular belief, "golden handshake" payments are less common, with average severance pay reduced from 2.8 weeks to 2.3 weeks per year of service, ensuring executives had sufficient severance pay to account for up to nine months *of redundancy without* financial hardship.

Networking personal contacts remains the best way for a redundant executive to secure a new job, with 42 per cent using this route back into employment compared with 24 per cent who obtained a job through advertisements.
DBM, 1 College Hill, London EC4R 2RA, UK.

Job flexibility

More companies are *introducing employment* flexibility. But how successful is this in practice? A *comparative study by* Cranfield Management School and MSF, the UK technicians' *union, throws some interesting* light on the realities.

Looking at Electrolux's *Zanussi white goods* operation in Italy, SJ, the Swedish state railways, and *Legal and General and the* Woolwich in the UK, the study found that flexible jobs are not *as highly skilled or as well* paid as those they replace, but offer more opportunities *for female and young* workers. Such jobs also seem to work best when they are not imposed but introduced through consultation with employees. Apparently flexibility *may be* "cited as being a most cost-effective way of working, but there is little hard commercial evidence to support this view".
Mary Creagh, Cranfield Management School, Cranfield, Bedford MK43 0AL, UK

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- Currently be performing a similar role within the oil industry, probably in an oil producing company
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These roles represent an excellent opportunity to join an organisation which will provide candidates with a real challenge and opportunities for career growth.

Interested candidates should send a full CV in strict confidence to Nick Williams or Jennifer Streeten.
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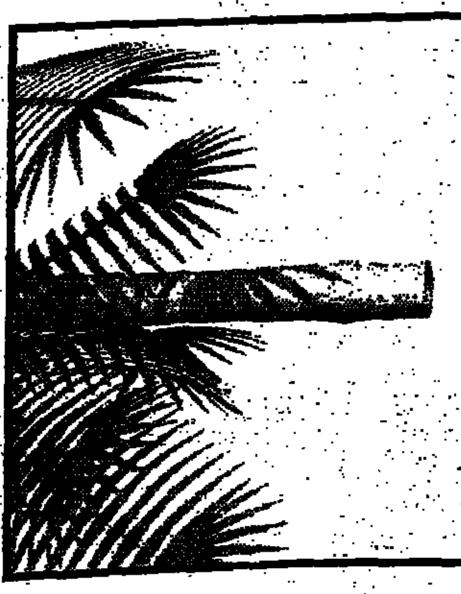

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ACCOUNTANCY APPOINTMENTS

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- Regular liaison with key franchisees throughout the region.

You will be a qualified accountant with up to three years PQE, ideally from an international business background and able to develop strong relationships with Commercial Managers. You must also display the desire to adopt a hands-on commercial approach within a fast moving dynamic business environment. Ref 433499

Both roles will involve some international travel and a fluent second language whilst not essential will prove an advantage. In return, we offer an excellent renumeration package and career opportunities within Burger King and other parts of Diageo Group. Interested applicants should forward a CV, quoting the relevant reference to Peter Istead at Michael Page Finance, Europa House, Church Street, Middlesex TW7 6DA. Fax 0181 847 5703 or e-mail: peteristead@michaelpage.com

Michael Page
FINANCE

Australia · China · France · Germany · Hong Kong · Italy · Netherlands · New Zealand · Singapore · Spain · UK · USA

Iceland are the UK's largest frozen food retailer with 771 stores and annual sales in excess of £1.5 billion. It is through innovative concepts that we have become a nationally recognised retailer with profits of over £50 million.

A major new strategic plan in the White Appliance Division, which generates a turnover in excess of £65million, has formed a new vertically integrated operation. In addition to our Iceland sites, we have developed the Powacentre joint venture with Homebase and extended our after sales services and logistics businesses to incorporate third party relationships.

ICELAND

Commercial Financial Controller

Middlesex — **c£45,000 + FXcar + bonus + benefit**

With this rapid expansion, we seek a Financial Controller who wants to take ownership and drive four separate business operations forward through commercial awareness and financial control.

Reporting to the General Manager and working alongside a management team with a wealth of industry experience, the Financial Controller will play on integral part in the continued development of these business ventures.

The Financial Controller will work closely with operational management and your brief will be to provide support to senior management through clear financial leadership and innovative thinking. Your responsibilities will encompass:

- Liaising with operational management to provide financial advice for commercial decisions.
- Co-ordinating the strategic planning and budgetary process.
- Involvement in the development of financial reporting systems and controls.
- Refocusing finance to be an integral advisory function of the Appliance Division

The successful candidate will be an ambitious qualified accountant with the desire to develop both their commercial and technical skills. You must be able to display a proactive, hands-on approach to all business issues whilst developing strong relationships with all levels of management.

For the correct candidate this represents a chance to work within a division of a major UK Plc whilst having a marked effect on the commercial running of a medium sized division.

This is an unrivalled opportunity to experience four different business sectors and develop your knowledge as the organisation expands.

If you feel that you possess the qualities to meet this challenging opportunity, please forward an up-to-date CV including current remuneration and daytime contact number to Keith MacKenzie at Michael Page Finance, Europa House, Church Street, Old Isleworth, Middlesex. TW7 6DA, or fax on 0181 847 5703 or e-mail: keithmackenzie@michaelpage.com. Please quote reference 397991

Michael Page
FINANCE

Australia · China · France · Germany · Hong Kong · Italy · Netherlands · New Zealand · Singapore · Spain · UK · USA

European Audit Manager

London — **£ Excellent + Executive Bens**

Edison Mission Energy is one of the world's leading independent power developers. Revenues exceed $1 billion from large capital-intensive projects in the US, Australia, Indonesia, Italy, Spain, Turkey and the UK. Future growth will be driven by both organic development and acquisitions extending to new geographic regions.

The audit function now seeks an experienced individual to manage the audit programme for Edison Mission Energy's European region working from a Central London base. With an element of travel and a reporting line to the US, the individual will be expected to seek opportunities to add value and work in unison with local management.

Major areas of responsibility will include:

- Developing and appraising the audit plan for the European region.
- Assessing the effectiveness and efficiency of all company operations.
- Identifying high risk areas and planning and performing field work.
- Evaluating internal controls and compliance with the Foreign Corrupt Practices Act.
- Providing management consultancy advice as required.
- Evaluating the company's due diligence process.

The successful candidate will be exposed to a dynamic, multi-cultural market leading business. Furthermore, the role offers real autonomy and decision making authority.

You will be a qualified accountant, preferably with audit experience from a multinational or a large practice firm. You will be a confident self-starter with an enquiring and proactive approach, who constantly seeks to improve operational effectiveness.

Please send a curriculum vitae to Martin Dowson at Michael Page Finance, 39-41 Parker Street, London WC2B 5LN or telephone 0171 269 2274 quoting reference 383562, e-mail: martindowson@michaelpage.com

Michael Page
FINANCE

Australia · China · France · Germany · Hong Kong · Italy · Netherlands · New Zealand · Singapore · Spain · UK · USA

Group Financial Controller

Northern Home Counties — **c £40,000 + Car**

Our client is a major player in the European market for disposable hygiene products. Supplying both the retail and institutional trades, the UK subsidiary has a turnover of c£300 million. Operating from three sites in the UK, 10 operational units include both manufacturing and sales operations.

As a result of an internal promotion, the company now wishes to recruit a Group Financial Controller. Reporting to the Finance Director, managing the central accounting function your responsibilities will include:

- Production of periodical financial and management reports to the parent company for all operating divisions and legal entities.
- Liaison with Divisional Controllers, ensuring accounting standards are followed and providing expert financial support.
- Co-ordinating all contact with external regulatory bodies.
- Management of working capital and day-to-day relationships with bankers.
- Ensure efficient use of information systems throughout UK businesses including interfaces with non-financial and logistics support systems.
- Management of the central finance team.
- Defining and implementing common policies and standards across the divisions.
- Ad hoc project work both for the Group Finance Director as well as within the divisions.

The successful candidate will be a qualified accountant (ACA, ACMA or ACCA) with at least three years PQE gained preferably within commerce and industry. You will possess excellent interpersonal and communication skills, together with a proven track record in staff management. You will be highly IT literate with experience of development of systems both within financial and non-financial areas.

Interested candidates should write, enclosing full CV to Jane Webb at Michael Page Finance, Grant Thornton House, 214 Silbury Boulevard, Milton Keynes, Bucks MK9 1LT, or alternatively fax 01908 692488, quoting reference 428221. e-mail:janewebb@michaelpage.com

Michael Page
FINANCE

Australia · China · France · Germany · Hong Kong · Italy · Netherlands · New Zealand · Singapore · Spain · UK · USA

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c. £60,000 package plus benefits — *Major UK Quoted Group* — *London*

Corporate Development Executive

Internal promotion within this profitable and fast-growing European manufacturing and distribution group has created the opportunity for a first-class finance professional. Turnover of £1.2 billion has trebled since the early '90s through acquisition and organic growth. Working closely with the Chief Executive and the Group FD, the key tasks will be to evaluate and deliver a broad range of corporate development initiatives as the group continues to grow both organically and by acquisition. Good career opportunity into line management.

THE ROLE

- Supporting the board in all aspects of acquisitions and disposal transactions to deliver a progressive strategy focusing on shareholder return.
- Working closely with senior line management on budget preparation and capital expenditure reviews. Reviewing the performance of acquired companies and conducting ad hoc projects.
- Acting as a key external facing resource for group finance; researching corporate development opportunities and dealing directly with third party advisors.

THE QUALIFICATIONS

- Ambitious graduate ACA, aged late twenties to early thirties with prior exposure to corporate development in a corporate, bank or the Profession. A European language advantageous.
- Adept relationship builder, comfortable operating at board level with the intellect and interpersonal skills to influence and support senior executives across the business.
- Pragmatic analyst and presenter with strong financial skills. Self-starter able to grow both personally and professionally within the role and progress further.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to:
Selector Europe, Ref. TRB/24811-4/78,
16 Connaught Place,
London W2 2ED

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c. £75,000 package plus benefits — *High Technology Company* — *London*

Head of Planning & Analysis

Significant growth, both organic and by acquisition, has created a new highly commercial role in this $700 million turnover European region of a $1.3 billion manufacturing business supplying critical components to blue-chip OEM client base. Key role at the heart of the European operation which will lead to a substantial line position in the medium term.

THE ROLE

- Supporting the European CFO by providing a first-class budgeting, forecasting and performance review service to align operations to the strategic direction of the business.
- Highly visible stand-alone role developing management reporting systems to support the growth and development of the business, working alongside Country General Managers and Controllers to ensure tight and well disciplined planning and management reporting.
- Analysing and assessing corporate development opportunities, including acquisitions, and undertaking strategic reviews of operating company market positioning and performance.

THE QUALIFICATIONS

- Ambitious and proactive qualified Accountant or MBA, aged early 30s+ with strong financial analysis, costing and management reporting skills gained in a fast-moving international manufacturing business. Prior line experience highly advantageous.
- Perceptive analyst and financial modeller with strong commercial orientation. Dedicated team player with drive and energy, willing to use initiative.
- Adept communicator and negotiator, able to motivate and challenge peer group. Effective and confident at board level and capable of progressing into a senior line role in due course.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to:
Selector Europe, Ref. TRB/27890-3/78,
16 Connaught Place,
London W2 2ED

DIRECTOR OF FINANCE & IT

International Service Group

Central London **c £90,000 Package**

Our client is a privately owned US corporation founded in 1964 with group revenues of more than $120 million, generated by a number of diverse but related market leading operations in education and travel primarily driven from the US and the UK. A dynamic, young, highly motivated team of c. 70 people work in the attractive offices of the UK operation in Central London. It is a fast-paced environment and offers excellent career development potential.

THE POSITION

- Working closely with the Group Chairman, the role has responsibility for the Group's UK and International financial management and control, leading a team of 12 people.
- Interaction with operational directors on their business plans, ensuring that performance goals are communicated, understood and achieved.
- Management of the organisation's IT function in the UK, driving the definition, development and implementation of next generation financial and operational systems.

QUALIFICATIONS

- Graduate ACA, *ideally* with a further business qualification and experience at senior management level in a service-led international operation.
- Personal attributes will include a high intellect, tenacity, strong energy levels and demonstrable commercial acumen.
- Hands-on knowledge of information technology, capable of *moulding* the *attitude* and approach of the business towards IT management, and focused upon driving real business benefit from IT improvement initiatives.

Interested candidates should write, enclosing full career and salary details, to the advising consultants, Jon Boyle and Debra Hewitt, at Questor International Limited, 3 Burlington Gardens, London W1X 1LE Please quote reference 2468. Tel 0171 292 8300. Fax 0171 287 5457, e-mail: jon@questorint.com

QI

QUESTOR INTERNATIONAL

Financial Director

Legion Security plc

Preston **to £50,000 + Car**

Legion Security plc is a company that specialises in the provision of uniformed security personnel to a blue-chip client base including, construction sites, airports, office *complexes, car parks and petrochemical and nuclear* facilities. Employing over 1600 people, it has become, over its 70 year history one of the most well established and reliable security firms in the UK.

Following a strategic review of the business, the company is planning to expand rapidly over the next few years both organically and by acquisition. In order to prepare itself for such expansion, the company is going through considerable change in its approach and its structures led by a new Chief Executive.

The company is looking to appoint a new Financial *Director to help develop the staff and systems required* to move the business forward and to aid the Chief Executive in developing, executing and fulfilling the strategic plans.

Essential to this position is an imaginative and commercial approach but will also require a person who is 'hands-on' and down to earth. Experience of managing change and working in a highly commercial environment would *be a distinct advantage*.

Interested candidates should send their CV together with details of salary package to David Gunning ACA, *Regional Manager at Michael Page Finance*, Clarendon House, 81 Mosely Street, Manchester M2 3LA, Telephone 0161 228 0396, fax 0161 236 6961. Alternatively e-mail: davidgunning@michaelpage.com *Please quote reference* 426684.

Michael Page

FINANCE

Australia · China · France · Germany · Hong Kong · Italy · Netherlands · New Zealand · Singapore · Spain · UK · USA

Financial Controller

Project Management

Brazil **£ Highly Attractive Expatriate Package**

Our client, part of a substantial UK listed group, is recognised as one of the world leaders in the provision of turnkey project *management and maintenance services* relating to world class manufacturing systems and facilities, primarily in the automotive sector.

Working in partnership with clients including many of the worlds leading manufacturing corporations, our client is in the forefront of technical innovation with an enviable reputation for the delivery of high quality products on a global scale. Due to continued expansion the company now wishes to appoint a Financial Controller to take responsibility for its Brazilian operation based in Sao Paolo.

Working closely with the local managing director, a British expatriate, this role will focus heavily upon the development *of financial controls. With a strong commercial bias*, the successful candidate will be heavily involved in the bid and tendering process together with contract negotiation, appraisal and management, working closely with project management and operations personnel.

The role will also focus on the strategic development of the business within Brazil, a market acknowledged by most *analysts as having tremendous potential for future growth.* The position is offered on a single status basis with the successful candidate being a qualified accountant aged ideally below 40 years old, with relevant experience preferably gained within a project management environment.

Whilst an ability in Portuguese or Spanish would be advantageous, it is by no means a prerequisite for this role. It is anticipated that employment in Brazil will be for at least a two year contract although the high profile attached to this role is likely to open up opportunities within the group both in the UK and internationally beyond this time frame.

Candidates should apply enclosing a full CV and covering letter to Andrew Jones, Michael Page International, The Citadel, 190 Corporation Street, Birmingham B4 6QD, fax 0121 625 3378 quoting ref 434513, e-mail: andrewjones@michaelpage.com

Michael Page

INTERNATIONAL

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Attachmate

European Controller

Northern Countries

A worldwide leader in connectivity solutions is recruiting for its European headquarters in Paris.

Paris

Reporting directly to the European Finance Director, you will be responsible for the following in the Northern Affiliates:

- The management reporting and budget process.
- Financial information systems.
- Legal, tax and statutory issues.
- Local internal controls and procedures.

At the European Headquarters in Paris you will act as an interface between:

- Corporate finance in the US.
- Area and country managers.
- European divisional managers.

You will manage by objectives your team of local Controllers and a European Financial Analyst.

Relevant candidates should be around 30 years old, *should have an accounting degree* and/or MBA and preferably should have been trained in a 'Big 6' auditing firm. You should have a minimum of five years work experience in an international finance department and should be fluent in a minimum of two European languages.

Please send your CV to Benoit Montet at Michael Page International, 159 av. Achille Peretti 92522, Neuilly-sur-Seine cedex 3617 code MPage, quoting reference FBM21612. http://www.mpfrance.com

Michael Page

INTERNATIONAL

Australia · China · France · Germany · Hong Kong · Italy · Netherlands · New Zealand · Singapore · Spain · UK · USA

EUROPEAN FINANCIAL CONTROLLER

DYNAMIC INTERNATIONAL INVESTOR

CENTRAL LONDON **C. £50,000 + BENEFITS + BONUS**

Universally recognised for its tenacity, integrity and professionalism, this fast growing international corporation acts as a bridge between those who seek and those who provide investment opportunities.

Its success to date has been achieved through focusing its business on corporate investment in North America and Western Europe. The current investment portfolio encompasses 16 companies across a broad range of sectors including brand name luxury goods, manufacturing and service sector companies.

Joining the post-acquisition team, the holder of this newly created post will work closely with the senior management of investment companies and will gain exposure to a broad range of businesses. Working within a unique, challenging environment and assisting with the successful management of the investment companies, the role is seen as critical to the *continued development of the organisation. Some European travel will be involved.*

Key responsibilities will include.

- regular qualitative evaluation of business performance, current issues and management's action plans
- liaison with senior management in portfolio businesses to improve the quality and timeliness of their reporting systems and planning processes
- identification and execution of value-adding analysis and projects at portfolio companies
- overseeing timely production of all reports including presentations to the board
- involvement in new investment evaluation and existing investment realisation

Candidates will be graduate qualified accountants from a Big Six firm, with a minimum of two years' commercial experience.

Academically sharp with highly developed communication skills, the successful individual will have achieved at the highest levels throughout their career to date. Strong technical and PC skills are a prerequisite, as is the ability to multi-task and prioritise effectively.

This represents an outstanding opportunity to join a dynamic, fast moving, international organisation, offering extensive scope for personal development.

To discuss this position in greater detail contact Janet Arnold ACA or Tanya Shrivastava at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Tel: 0171 379 3333, Fax: 0171 915 8714.

E-mail: janet.arnold@robertwalters.com or tanyashrivastava@robertwalters.com

Web: http://www.robertwalters.com

You may also apply via http://taps.com/Robert_Walters quoting reference RW122.

http://taps.com

ROBERT WALTERS ASSOCIATES

FS 20091

LONDON WINDSOR AMSTERDAM BRUSSELS FRANKFURT NEW YORK HONG KONG SINGAPORE SYDNEY MELBOURNE BRISBANE WELLINGTON AUCKLAND JOHANNESBURG

Head of Finance

c.£50,000 + Benefits **London**

The Energy Saving Trust (EST) is a private, non-profit distributing company established in 1992. In developing and overseeing innovative energy projects through cross-sector partnerships, the EST's objective is to improve the efficient use of all forms of energy in the UK. A key role *now exists to head up the finance function of this dynamic, proactive organisation.*

THE POSITION

- Lead the finance function in provision of effective and disciplined financial controls and full and meaningful management information.
- Provide strategic direction in financial planning process to aid delivery of Trust's objectives. Ensure sound management of client funds.
- Liaise extensively with external bodies to meet strict Government and other statutory requirements. Fulfil company secretarial function.
- Direct and develop small finance team. Work closely with Chief Executive on specific projects and initiatives.

QUALIFICATIONS

- Energetic, graduate, qualified accountant, ideally with service *industry background. Private sector* experience and project management skills essential.
- Demonstrable track record of achievement in fast-moving, change-driven environment. Expert in provision of accurate and timely management information with fully integrated IT systems.
- Ambitious professional able to assist in Trust's long-term development. Proven skills in diplomacy, problem solving and delivery.
- Expert leader, communicator and motivator.

Please send full cv, stating salary, ref BR200186, to NBS, 37 Queen Square, Bristol, BS1 4QS

Fax 0117 934 9370 Email melanier@nb-selection.co.uk Tel 0117 929 1142

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REUTERS

Global Transfer Pricing Manager

CENTRAL LONDON C.£60,000, PLUS BENEFITS

Reuters is a FTSE 20 Plc whose 16,000 staff serve 163 countries through 217 offices. Its products are market leading and are distinguished by speed, accuracy and through their global reach with a local focus.

This outstanding opportunity is for an enterprising professional, to work within the Group Tax team and to focus on and co-ordinate Reuters' global Transfer Pricing (TP) opportunities in the context of a rapidly evolving worldwide legislative framework. Principal responsibilities will include:

- Identifying existing and potential TP issues and ensuring compliance
- Driving TP issue awareness across all business units
- Proactively developing working relationships with Regional and in-country finance teams
- Keeping all relevant parties informed of changes in Tax Treaties and other compliance legislation

This is an ideal opportunity for an ACA/ATII or Legally qualified professional, with *5 to 7 years'* experience, to positively influence group wide tax awareness on this increasingly important issue. You will have an international corporate tax background gained within a Big 6 or equivalent legal environment, ideally with *2 years' experience* in a company's tax team. Given Reuters' global nature, you must demonstrate a cultural awareness and a desire for international travel.

Interested candidates should write with full CV, quoting current rewards package to Kean August, Professional Services Practice, Hoggett Bowers, 28 Essex Street, London WC2R 3AX, Tel: +44 (0) 171 970 9600, Fax: +44 (0) 171 936 3974 quoting ref: LKA/16722/FT.

Hoggett Bowers | Executive Search and Selection

هكذا من الأصل

FINANCE DIRECTOR

MANUFACTURING AND DISTRIBUTION

CHILTERNS — **PACKAGE TO £50,000**

- This well-established subsidiary of an international group manufactures and supplies specialist products to a customer base of household names. Turnover is currently approaching £18 million but the company has an objective to increase business by 50% over the next 2/3 years.
- The company seeks a finance professional who will work closely with other members of the senior management team to deliver these ambitious growth plans, developing the financial control structure and contributing to the company's strategic plans.
- Reporting directly to the Managing Director, the Finance Director will bring a new focus to internal financial controls and procedures, and will contribute to the development of group-wide financial and accounting policies. The position will also have responsibility for the development of the company's information systems.
- A resourceful and commercially-minded qualified accountant who can support the Managing Director whilst developing first-class financial practices in line with the expansion plans. Experience within manufacturing and/or distribution businesses is essential.
- Strong communications and interpersonal skills are required as well as a flexible approach. The key attribute will be the ability to operate effectively within a small, close-knit management team. Knowledge of the commercial application of business information systems is important.
- *This position offers the chance to influence the commercial direction of this growing firm, and provides the opportunity for an appropriately-qualified person to take a more senior leadership role in the future.*

Please apply in writing quoting reference 1659
with full career and salary details to:
David Richards
Whitehead Selection
11 Hill Street, London W1X 8BB
Tel: 0171 290 2053. Fax: 0171 290 2085
www.whiteheadselection.co.uk

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A division of Whitehead Mann Ltd.
a Whitehead Mann Group PLC company

FINANCE DIRECTOR

EQUITY STAKE IN VENTURE CAPITAL BACKED BUSINESS

OXFORDSHIRE — **c.£60,000 + BONUS + BENEFITS + EQUITY**

- International, retail business, recently acquired by a leading venture capital firm, generating sales of c.£15 million with high growth potential. Established market presence and strong brand associated with traditional, high quality, exclusive products. Impressive growth in turnover and profits over the last few years, particularly through rapid international expansion and diversification into related product areas.
- The company requires an energetic and enthusiastic Finance Director to work closely with the existing management team, newly appointed Chairman and venture capitalists, to help rapidly expand the business, both in the UK and overseas, and prepare the company for a possible flotation.
- Early priority will be to introduce and develop strong and comprehensive financial control, planning and analysis disciplines. In addition, he/she will be responsible for upgrading IT systems. A key member of the Board, the Finance Director will have significant scope to make a major commercial and strategic input to the group.
- Graduate qualified accountant, probably early to mid 30s. *Established record of achievement, ideally in a blue* chip, consumer branded or multi-site, service organisation where finance actively contributes to broader commercial decisions.
- *Outgoing manner, personable, with excellent* communication skills and the ability to quickly gain support, particularly with non-financial senior management. Innovative, creative and broad thinker, capable of empathising with the product and sector.
- A 'hands-on' individual with a strong team orientation, capable of working in an informal, non-hierarchical, small company environment. Able to contribute to the development of a strong finance function which supports rather than constrains the creative flair in the business, whilst managing rapid growth. The position offers scope for development within a growing company.

Please apply in writing quoting reference 1673
with full career and salary details to.
Katie Thomas
Whitehead Selection
11 Hill Street, London W1X 8BB
Tel: 0171 290 2140. Fax: 0171 290 2050
www.whiteheadselection.co.uk

Whitehead SELECTION
A division of Whitehead Mann Ltd.
a Whitehead Mann Group PLC company

Operational Auditors

Location: UK/Europe — **To £40,000**

Our client is a US Fortune 500 manufacturing based marketer of professional, consumer and automotive audio equipment, with divisions throughout the US and European operations in Austria, Belgium, Denmark, France, Netherlands, Germany, Sweden, Switzerland and the UK.

Expansion both through organic growth and acquisitions now generates a requirement for two additional individuals to work throughout the UK and Europe engaged on the operational audit of the company's subsidiaries. There will also be the opportunity to work in the US and to participate in acquisition projects.

Candidates will be recently qualified accountants with a good university degree and a flair for accounting and systems analysis. The positions entail extensive travel throughout Europe with occasional trips to the US and beyond; accordingly candidates should apply regardless of the location of their homes. A practical knowledge of spoken German would be an advantage. The individuals will report to the corporate Vice President, Controller and be attached to the European corporate finance office in the UK.

Please send a detailed Curriculum Vitae quoting Ref MH02/07 to:

Rochester Partnership Limited, 7 St Helen's Place, London, EC3A 6AU
Telephone +44 171 256 9000. Fax +44 171 256 9111.
Email: rochester@rochester.demon.co.uk

ROCHESTER

FINANCE MANAGER

Central London — **to £45,000 + Bonus + Car Allowance**

Our Client is a specialist independent investment banking Group. Their operations provide a comprehensive range of corporate finance, banking, investment management and stockbroking services to clients in many differing market sectors. The clear aim is to become the leading provider of such services in which they operate.

As a result of continually increasing financial performance of the Group, a new opportunity has been created for a Finance Manager to be based at the head office. The role will report to the Group Financial Controller and focus upon the production of quality management and financial information, supervision of the core head office accounting function and liaison with operating divisions to create more financial awareness across the group.

This is a new exciting role whereby the appointee, a qualified accountant probably aged late 20's/early 30's, will report to and work closely with senior executives as part of a small team. Excellent accounting and PC skills, technical proficiency, sound competence and presentation skills are paramount for this role as are enthusiasm and self motivation to be able to make positive contributions and effect real change in the future operations of this business.

Please write enclosing full curriculum vitae, quoting ref 671 to:
Philip Cartwright FCMA, Cartwright Consulting, 3 Wigmore Place, Cavendish Square,
London W1H 9DB.Tel: 0171 371 9476 Fax: 0171 371 9478

CARTWRIGHT CONSULTING
FINANCIAL SELECTION & SEARCH

MANAGEMENT ACCOUNTANT

St. John Ambulance
St. John Supplies

London

£25,000 pa + pension & health cover

St. John Supplies is the commercial arm of St. John Ambulance, selling over 3,500 items of training, first-aid equipment and giftware by mail order to generate significant funds for the charity. Planned growth *necessitates this new appointment.*

Reporting to the Finance Manager, you will develop integrated systems to produce timely, relevant management information. Ideally, you will be a qualified accountant with five years commercial experience in mail order or retail. Familiarity with SUN, Mailbrain, Excel/Lotus and/or SORP2 would be advantageous.

This role may appeal to late qualifiers with prior commercial experience, newly-qualified accountants with *exposure to retail - or those later in life for* whom worthwhile work is important.

To apply, please write enclosing your CV to our advising consultant, Andrew Harter, at the address below before 10th July, quoting reference 98061/T.

ANDREW HARTER MANAGEMENT

Andrew Harter Management
Tithings New Barn, Swalcliffe, Banbury, OX15 5DR.
Telephone 01295 788001. Fax 01295 788002

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Financial Times

CASINO FINANCIAL CONTROLLER

For a busy international casino in Budapest. Candidates must have relevant experience with a reputable casino operation.

Excellent package.

CV's to Seefar Associates, 7 Berkley Crescent, Gravesend, Kent DA12 2AH.
☆ Tel: 01474 329990 ☆ Fax: 01474 329995 ☆
☆ seefar@globalnet.co.uk ☆

Are you an Investment Banking Analyst who doesn't want to go to Business School?

If you are unsure if an MBA is right for you, right now, we have an opportunity you will not want to miss. We are a progressive Investment Bank with core business in credit products, fixed income, foreign exchange, and derivatives with a top class management team. We are in a period of rapid expansion, building a solid team to support our business plans. We are looking for a bright, motivated individual with 2 years of Investment Banking analyst experience who understands the importance of delivering high quality work to tight deadlines in a fast paced, challenging environment. The individual suitable for this position is focused, committed, and accountable with a strong background in analysis and/or research, someone who can work both in a team and on their own with limited direction and with a desire to take responsibility quickly.

If you think you're the right fit, send your CV and salary details to: Box A6178, Financial Times, One Southwark Bridge, London SE1 9HL.

GROUP TREASURER

LONDON — ***c£50,000 + Car + Good Bonus + Benefits***

The Company
- Profitable manufacturing and service group. Recently floated UK plc.
- Has operations in UK, Europe, USA, Middle East and Asia Pacific.
- Market leader in its field. Turnover in excess *of £250m.*

The Role
- New appointment. Develop Treasury function reporting to the Group Finance Director.
- Emphasis on bank relationships, debt and cash investment portfolios and currency/interest rate exposure management.
- Advising the board and managers on Treasury related Issues.

The Person
- Energetic graduate calibre. Ideally *qualified Accountant and ACT.*
- Broad breadth of Treasury experience gained within an international group.
- *Good communicator, practical approach* and team player.

Please write enclosing full Curriculum Vitae quoting ref 228 to:
Nigel Hopkins FCA, London House,
53-54 Haymarket, London SW1Y 4RP
Tel: 0171 839 4572 Fax: 0171 925 2336

NIGEL HOPKINS & ASSOCIATES
FINANCIAL & TREASURY SELECTION

London based — ***Excellent Package including performance bonus and stock***

This company, which is soon to be publicly listed, is an international organisation with a high profile in the sports, media and entertainment industries. They have recently established their headquarters in London and are committed to further developing their global network through an aggressive expansion and acquisition plan.

As the Chief Financial Officer you will become a member of a *prestigious board of directors* and have responsibility for the financial management of the company worldwide. This will *encompass* the formation and implementation of corporate development strategies via extensive acquisitions. This will be accomplished by utilising analysis of business opportunities and negotiating with potential targets.

A sporting enthusiast, you will have already developed an international perspective and the flexibility to travel. Ideally, *you will* be a graduate and will have qualified with a Big Six firm. Most likely you will have progressed within an international advertising agency, media group, entertainment or packaged goods company. Importantly, you will be a highly motivated individual, with exceptional interpersonal skills, who will thrive in a challenging and autonomous environment.

This company wants to attract a world class individual who may already be the Chief Financial Officer or one who is ready to assume that responsibility. To do so it will offer an appropriate remuneration package including salary, performance related bonus and stock.

For *further* information, please send a full *résumé* to Steve Williams at Morgan & Banks PLC, Brettenham House, Lancaster Place, London WC2E 7EN or telephone on 0171 240 1040. If you prefer, please e-mail, fax or post a brief résumé quoting Ref. No. 2995/58.

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Divisional Finance Director

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THE POSITION
- Work closely with Divisional MD on all strategic, commercial and operational issues. Bring astute financial and commercial skills to a fast-moving environment.
- Responsible for all divisional reporting activities including budgets, monthly and statutory accounts. Monitor the divisional companies' performance on an on-going basis.
- Take ownership and oversee implementation of business and accounting initiatives to improve overall divisional effectiveness.
- Provide financial support to the divisional and group boards including due diligence work on potential acquisitions.

QUALIFICATIONS
- Qualified accountant. Background in a commercial environment. Proven record of improving financial management at strategic and operational levels.
- Strong technical competence. Clear understanding of commercial implications of effective financial management. IT literate.
- Committed and achievement driven. Attention to detail and deadlines. Disciplined and organised.
- Confident and credible. Inquisitive. Team player with hands-on, down to earth style.

Please send full cv, stating salary, ref MN200208, to NBS, Courthill House, Water Lane, Wilmslow, Cheshire SK9 5AP
Fax 01625 539801 *Email maureens@nb-selection.co.uk* Tel 01625 539953

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Candidates, who must be qualified accountants, preferably with a U.K. qualification, are likely to be aged between 35 and 45, and will be able to demonstrate good career progress at a senior level in results-orientated companies. Prior experience in businesses involved in substantial project/contracting work is desired. The ability to respond to the culture of a largely indigenous workforce is also important.

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